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ADVERTISING AND PUBLIC BROADCASTING

HEARING

BEFORE THE

SUBCOMMITTEE ON COMMUNICATIONS

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

ADVERTISING AND PUBLIC BROADCASTING

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ADVERTISING AND PUBLIC BROADCASTING

WEDNESDAY, FEBRUARY 22, 1984

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON COMMUNICATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 8:55 a.m., in room SD-628, Dirksen Senate Office Building, Hon. Barry Goldwater (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Dan Phythyon, staff counsel and Tom Cohen, minority staff counsel.

OPENING STATEMENT BY SENATOR GOLDWATER

Senator GOLDWATER. The subcommittee will come to order.

There is no particular legislation that we are considering this morning. Instead, this meeting was called because of the interest that is being expressed by different public broadcasting units around our country on commercial advertising.

Presently, the type of advertising that most of you do, if we can call it that, is to announce the sponsors of your programs.

The type of advertising that is prohibited is the commercial type of broadcasting where you show a picture advertising soap, or something similar.

We have had no hearings on this question since I have been chairman. I thought that it would be of interest to the industry, and particularly to the public broadcasters.

We have invited a number of people to testify. The first panel will be Mr. Stewart Cheifet, general manager of KCSM in San Mateo, Calif.; Mr. Michael Hardgrove, president of KETC in St. Louis, Mo.; Mr. J. Michael Collins, president and general manager of WNED, Buffalo, N.Y.; Mr. Lloyd Kaiser, president of WQED, Pittsburgh, Pa.; and Mr. Bruce L. Christensen, president of the National Association of Public Television Stations.

Gentlemen, you can come up and be seated at the table. We are not going to be too tough on the time limit this morning, but if you have a prepared statement I ask that you submit it for the record. Then just brief us on what you have to say. We will start with Mr. Cheifet.

STATEMENT OF STEWART CHEIFET, GENERAL MANAGER, KCSM, SAN MATEO, CALIF.

Mr. CHEIFET. Thank you, Mr. Chairman. I thank you for the opportunity to come here and express our station's point of view on this issue of limited advertising on public television.

To be honest, I wish I didn't have to be here, and I wish I didn't have to take this view in favor of limited advertising on public television. I wish very much that public television were recognized as a national asset, and that it were adequately funded by the Government. However, that is not the reality, and as the manager of a public television station I am afraid I have to deal with realities right now in terms of the decisions we have to make.

The reality is that our station, and I believe we speak for many other stations in the system, has serious financial problems right now. I know people have been saying this for years. I have not been saying it for years, but it is very true right now.

I know people have said that limited advertising is possibly a threat to the integrity of public broadcasting. I believe that poverty is a greater threat to the integrity of public broadcasting. I think the lack of Federal funds, and the lack of private sector funding in particular is strangling this national asset which we call public broadcasting.

I would like to just go through some of the facts with you about stations like our station, and sometimes those facts are in contrast with what we hear in some of the press releases that come out about public broadcasting.

We hear, for example, about wonderful programs that are out now on PBS like the drama series, American Playhouse, like this wonderful documentary series Frontline, like the science series, Nova. My station can't afford to buy those programs, so they don't appear on my station, in fact, because we can't afford the cost of them.

This year, for example, our Federal funds at our station were cut by 13 percent. Our State funds were cut by 100 percent. Our community college support funds were cut by 20 percent. We lost nearly $200,000 this fiscal year compared to last year, and that is why we can't afford to buy some of these wonderful PBS programs.

I manage a small, college licensed, suburban UHF television station. We are the kind of station, according to some theories, that cannot benefit from limited advertising. There has been a lot of talk about what limited advertising might do on PBS. I would like to share with you a couple of facts based on our experience during the experiment as to what limited advertising did do on our particular station.

We are, in the old-fashioned sense of the word, an educational television station, devoting 40 percent of our schedule to credit courses. Yet, even in that environment, we were able to earn $287,000 during the 1 active year of the advertising experiment.

What did we do to earn that money? We did not change our programing. We did not eliminate any of those telecourses because the ratings for them were low. In fact, with some of the revenue we got from advertising, we were able to increase the number of telecourses we ran. In fact, from advertising revenue, we were able, for

the first time, to produce a local telecourse, which in fact we were then able to distribute to other colleges and universities around the country.

So advertising money in this case acted as seed money to create an educational series which we were then able to distribute to other colleges, which brought increased revenues to the station. I might mention that the subject of the telecourse, An Invitation to Fly, was a ground school for private pilots, the only one of its kind in the country right now. So advertising dollars can serve very legitimate educational purposes.

We didn't lose any corporate underwriting, and we didn't lose any subscriber income. What we did was to use those very few moments between programs. We don't talk about interrupting programs at all. We use those very few moments between programs, less than 7 percent of the schedule, to fundraise, basically, through a technique of putting on tasteful announcements for companies who wanted to contribute to our station, but would only do so if they could be properly paid back by our broadcasting the kind of information, which we were only allowed to do during the advertising experiment.

That advertising income has gone this year, in addition to all of the Government funding. What are the consequences to the integrity of public broadcasting due to the lack of funds this year?

We have had to cut back our local production. This year, we have had to cut back our purchasing of PBS programing. This is what is happening. We, in fact, by not being able to buy some of these PBS programs, throw more of the burden on the other PBS stations to support the cost of these programs. So, in fact, it is our poverty right now, not our limited advertising, which is hurting the stations.

What were the consequences to local production at our station of the advertising experiment? During the 1 year of limited advertising, we produced 14 hours a week of local programing at our station, and this is a high average for most PBS stations. We cannot afford right now to produce that number of hours of local programming without advertising revenues supporting some of that programming. So limited advertising does affect programing, and I think in a very positive way.

The issue here is not, should public television go commercial. No one is advocating that public television go commercial. Public television must always be a nonprofit community service with maximum and secure Federal funding to support it. The issue is can public television survive without increased support from the private sector. What we are discussing is how we can enable the private sector to help us survive.

Limited advertising, in fact, is not very much different from underwriting. What it is is a more efficient way of raising the same kind of money. Let me give you two specific examples.

At our station, we spent 2 years working with a large corporation in our area trying to get it to underwrite a program on our station. During those 2 years, they contributed $5,000. During the 1 year of the limited advertising project, they contributed over $15,000 to our station because of what we were able to do for them in return.

We spent a year working with a major bank in our area to try to get underwriting, and they turned us down. During the advertising demonstration project, they contributed $21,000 to our station.

What I am trying to suggest, Mr. Chairman, is that limited advertising can be a clean, honest, and efficient way to help the private sector justify its contribution to public television.

I wish to share with you, finally, an experience that we had at our station. We did a 5-part series on our major cultural organizations in the San Francisco Bay area—the symphony, the ballet, the opera, the art museum, the repertory theater. They are all nonprofit educational, cultural institutions, and it occurred to me that perhaps they are very much like we are, and perhaps we could learn something by looking at their experience.

The fact is that they earn a small percentage of their revenue from ticket sales, just like we, during the advertising demonstration project, earned a small percentage of our revenues by advertising on television. Those organizations, like public television, get income from their subscribers, from foundations, from corporations, and from the Government.

Does the fact that the symphony and the ballet earn a part of their revenue by going to the marketplace and selling tickets corrupt them, harm the integrity of their educational and cultural mission?

We found that the symphony plays Beethoven, not the Beatles. The ballet is still doing Balanchine, not disco. The opera is still doing Aida, not Chorus Line, and the art museum is still exhibiting the masters, and the repertory theater is doing Midsummer Night's Dream.

These organizations have union contracts with writers, directors, performers just the way we do. They deal with copyright holders of plays, music, literary works, just as we do. Yet, they are still in business and they are still providing a significant cultural service.

The moral is, Mr. Chairman, that mix does work. Those cultural organizations would probably die if they could not earn some of their revenue. I am afraid that public television may die if we are not allowed to earn some of our revenue like every other major cultural institution does in this country.

In the words of a popular television commercial, which in fact features an actor who has appeared on public television, and perhaps he has a message, he simply says, "We want to make our money the old fashioned way, we want to earn it."

Mr. Chairman, in conclusion, I want to stress two major points about the specific proposal which we are placing before your subcommittee.

First, by promoting a new, extended demonstration program involving limited advertising under limited conditions, we hope to erode any potential linkage between Federal funding and this particular financing option.

The stations involved in this effort support the highest possible authorizations and appropriations for public television. But even at such levels, we will still need additional revenue, and limited advertising can help us adequately fund the programs and services which we have to provide to our communities.

We have no desire, Mr. Chairman, to be used by anyone as an excuse to limit or reduce Federal funding for public broadcasting. We have no desire to press this initiative at the expense of a progressive authorization bill. We believe our initiative is fully compatible with that objective.

Second, we are very concerned that the door not be closed forever on this financing option. By providing for a deeper review of limited advertising, the benefits and liabilities can be further explored without prejudice to any final conclusion as to whether limited advertising should be permanently available on a voluntary basis.

We do not claim, frankly, to have all of the answers at this time. But, honestly, we do not believe that anyone can reasonably conclude that the known risks right now outweigh the demonstrated benefits of limited advertising. We believe that at least the door has to be left open to a funding option that has the potential to raise station income at the local level by at least 20 percent.

I am convinced we can work out the parameters of an extended test program to meet the interests and perspectives of all involved.

Mr. Chairman, I would like to insert into the record at this point some materials on our initiative, particularly a memorandum entitled, "Public Television Funding: A Legislative Proposal"; statements and correspondence from other public television stations on this issue; correspondence from Members of Congress and the administration; and the executive summary of the finding of the ELRA Group prepared for TCAF, entitled, "The People Look at Advertising on Public Television."

Senator GOLDWATER. They will be made part of the record.[1]

Mr. CHEIFET. We had wanted to show you a video tape of examples of what limited advertising looks like on a public television station. I think we are waiting for that tape to arrive at the moment.

This concludes my remarks. Thank you.

[The statement follows:]

STATEMENT OF STEWART CHEIFET, GENERAL MANAGER, KCSM SAN MATEO, CALIF.

Thank you for the opportunity to appear before you and express our station's point of view on the issue of limited advertising on Public Television.

Frankly, I wish I didn't have to be here. I wish I didn't have to take a position in favor of limited advertising on Public Television. I wish Public Television were recognized as the national asset that it is . . . and that there were adequate government dollars to properly support Public Television.

But I wish for a lot of things. And as a Manager of a Public Television Station, I have to make decisions and form judgments based on reality, not on wishes.

The reality is that Public Television is in a funding crisis, that my station is in a funding crisis. I've heard concern expressed that limited advertising might threaten the integrity of Public Broadcasting. I'll tell you what is threatening the integrity of Public Broadcasting—poverty. The lack of federal funds and the lack of private sector funds are strangling this national asset. The Temporary Commission on Alternative Financing concluded that "significant increases in revenue are essential if public broadcasting is to be maintained".

Let's look at some of the facts about Public Television rather than looking at press releases. We hear about wonderful programming like American Playhouse, Frontline and Nova. Well, my station today doesn't broadcast those programs because we can't afford to buy them.

[1] The material referred to has been retained in the committee files.

Despite all the glitzy press releases about bigger audiences and better programming, we are in fact in a crisis. This year my station had its federal funds cut 13 percent; our state funding cut 100 percent and our local community college funding cut 20 percent. Overall we lost about $200,000 this fiscal year compared to last. That's a lot of money to a small station with a budget well under two million dollars.

I am the manager of a small, college licensed station, a UHF station in a suburban market. We are the kind of station which, according to some theories, could not benefit from limited advertising. There is a lot of talk and a lot of guessing on about what advertising on PBS might do. Let me tell you from first hand experience what limited advertising on our station did do.

We are, in the traditional sense of the word, an educational television station, licensed to a college and devoting nearly 40 percent of our broadcast schedule to credit courses. Yet even in this environment, we were able to raise $287,000 during the one active year of the advertising experiment.

How did we earn that money? We didn't change our programming, we didn't eliminate any telecourses because of low ratings. In fact we added some and we were able to begin producing our own localized telecourse with money generated through advertising. We didn't lose any subscriber income, in fact it was our strongest year ever. We didn't lose any corporate underwriting. What we did was use those few moments between programs, less than 7 percent of our schedule, to fund raise through the technique of putting on tasteful announcements for companies which wished to contribute to our cause but would do so if they could be properly paid back with the kind of information we could broadcast only during the experiment.

That advertising income is lost to us this year, compounded by the cuts in government funding I mentioned earlier. What are the consequences to the integrity of Public Broadcasting of this poverty we find ourselves in? We have had to lay off staff people this year. We have had to cut back our local production. We are now trying to figure out how to make it through the rest of this year without further cutbacks in broadcast hours. We have had to cut back our purchase of PBS programming, thus throwing more of a burden on other stations to support the cost of these programs. In fact it is our poverty, not our limited advertising, that is hurting other stations.

What were the consequences to local production of the advertising experiment. During that year we produced an average of 14 hours of local programming a week and at one point had seven different local productions going at the same time. This year, without the support of limited advertising, we are down to three local programs. Yes, limited advertising affects programming, in a positive way.

Please remember that the issue here is not, should Public Television go commercial. No one is advocating that. Public Television must always be a non-profit community service, with maximum and secure federal funding. The issue is can Public Television survive without increased support from the private sector . . . and what we are discussing is how we can enable the private sector to help us survive.

Limited advertising is not very much different from conventional underwriting. It is though a more efficient way to raise the same kind of money. Let me give you two examples which occurred at our station. Our Development Director had spent nearly two years working on one major company in our area seeking underwriting support. During that two year period, they gave us $5,500. Yet during the advertising experiment, that same company gave us $15,600 (three times as much) after a three month sales effort.

We had similarly tried to get underwriting from a major bank in our area. We spent a year working with them but they turned us down. During the advertising experiment, this same bank gave us $21,000 after a five month sales effort on our part.

All we are trying to suggest is that limited advertising can be a clean, honest and efficient way to help the private sector justify its contributions to Public Television. I don't think it's difficult to see that advertising, limited to two minutes between programs could, in the end, be far less commercial, far less threatening to the system, than the endless pledge festivals and auctions which increasingly alientate our audience

There are legitimate questions which were raised by the TCAF report about advertising. We feel those questions should be answered. What is the true revenue potential of limited advertising on Public Television? Could other small stations like our own benefit from it? Can a system be worked out that will protect the interests of those stations who can not or choose not to participate in limited advertising. An extended experiment with limited advertising could answer those questions.

We hear much, by the way, about so called enhanced underwriting, as an attractive alternative to limited advertising, though no one yet has been able to define it. I think there is one key difference between system-wide enhanced underwriting and limited advertising, under the control of individual stations.

One concern among stations is that stations who choose not to advertise could be adversely afffected by those who do advertise. We believe an additional experiment can answer those concerns. However, enhanced underwriting, system-wide, takes the options away from the local station and would indeed have the affect of forcing those underwriting announcements on any station if it carries a program produced nationally with an enhanced underwriting credit. We feel that limited advertising, more than enhanced underwriting, protects the interests of individual stations.

Finally, I thought I'd share with you an experience several of our staff people had last week. We just completed a five part series on major cultural organizations in the San Francisco Bay Area—the Symphony, the Ballet, the Opera, the Art Museum, the Theater. They are all non-profit, educational, cultural institutions. And it occured to me in seeing that series that we are in fact very much like them and that it might be helpful to look at their experience.

They earn a small percentage of their revenue from ticket sales (just as we ad stations during the experiment earned a small percentage of our revenue from advertising, the closest we in television come to ticket sales). Those organizations, like Public Television, also get income from subscribers, from foundations, from corporate grants and from the government.

Does the fact that they earn part of their revenue by going to the marketplace and selling tickets corrupt them, harm the integrity of their educational, cultural mission?

We found the Symphony still plays Beethoven, not the Beatles. The Ballet is still doing Balanchine, not disco. The Opera still does Aida, not Chorus Line. And the Art Museum is still exhibiting the masters, not the erotic sketches of John Lennon.

We noticed that the Theater still has its union contracts with writers, directors, performers. The unions didn't try to put them out of business just because they earn some of their revenue through ticket sales. These organizations also deal with copyright holders of plays, music, literary works, just as we do. Yet the theater this week is doing A Midsummer Night's Dream, not pop theater.

The moral is . . . that mix does work. Those cultural organizations would die if they could not earn some of their revenue. Public television may die if it is not allowed to do what every other major cultural institution does.

In the words of a popular television commercial featuring a great actor who appeared on public television, we simply want to make some of our money the old fashioned way, we want to earn it.

Mr. Chairman, in conclusion I want to stress two major points about the proposal we are placing before the Subcommittee:

First, by promoting a new, extended demonstration program involving limited advertising under limited conditions, we hope to erode any potential linkage between federal funding and this financing option.

The stations involved in this effort support the highest possible authorizations and appropriations for public television. But even at such levels, we will still need limited advertising in order to further enhance the programming services we want to provide our communities.

We have no intention or desire, Mr. Chairman, of being used by anyone as an excuse to limit or reduce federal funding for public broadcasting. We have no desire to press this initiative at the expense of a progressive authorization bill. We believe our initiative is fully compatible with this fundamental objective.

Second, we are terribly concerned that the door not be closed on this financing option. By providing for a deeper review of limited advertising, the benefits and liabilities can be further explored without projudice to any final conclusion as to whether limited advertising should be permanently available on a voluntary basis.

We do not claim to have all the answers at this time. But we do not believe it can be reasonably concluded that the known risks today outweigh the demonstrated benefits of limited advertising. And it is on this basis that we are asking you to permit this financing option to receive continuing evaluation.

We urge you not to reach a final, adverse judgment on limited advertising this Spring. We want a fair chance to answer all the concerns that have been raised. We believe the door should be left open in a funding option that has the potential to raise station income at the local level by up to 20 percent.

I am convinced we can, together, work out the parameters of an extended test program to meet the interests and perspectives of all involved. We stand ready to develop legislative provisions with you.

Mr. Chairman, I would like to insert in the record at this point some materials on our initiative, specifically: a memorandum entitled, "Public Television Funding: A Legislative Proposal"; statements and correspondence from other public television stations on this issue; correspondence from Members of Congress and the Administration; and the executive summary of the findings of the ELRA Group, prepared for TCAF, entitled, "The People Look at Advertising on Public Television."

Mr. Chairman, I would now like for the Subcommittee to view a short tape from WTTW Chicago, made during the advertising demonstration program conducted by TCAF, to illustrate the concepts we have been discussing.

Again, Mr. Chairman, the basic purpose of our proposal is to use the space between programs more efficiently to enhance our financial security. What you will view is the break between programs on WTTW. Certain commercial messages have been inserted between other announcements run by the station. An important message during the break—which complements the commercial messages—is a reminder to viewers that their continuing support is essential to station operations.

The commercials do not interrupt any program. They are simply a revenue device for the station that did not exist before.

Thank you.

STATEMENT OF MICHAEL HARDGROVE, PRESIDENT, KETC, ST. LOUIS, MO.

Mr. HARDGROVE. Thank you, Mr. Chairman.

I represent the views of a station that wasn't part of the advertising experiment, and specifically decided not to make ourselves available for it. But now, having looked at the results of the experiment, we strongly favor seeing that experiment continue and expand.

Our station, KETC in St. Louis, like most public television stations, finds itself in a dilemma. Our audience is growing quite rapidly. Public interest in our programing has never been greater. Yet, we find that we may not be able to keep up with the demand for programing, and the demand for improving our programing.

We have, we think, used all of the traditional funding means about as far as they can go, the subscriptions, the underwriting options, and so on. About 2 years ago, our taxable for profit subsidiary went into the television production business. This fiscal year, if it were not for the money that we are receiving from that nontraditional source, we would be in deficit, which our board would not permit, which means that we would have had to cut back on our programing, which our audiences would not permit. We think we have found that we can go beyond the traditional boundaries and make it work for us.

We are particularly concerned, in terms of the traditional funding, with membership, which is our major source of revenue. The amounts is almost 50 percent of the station's operating and capital budget. That is a large percentage of your budget to have coming from a single source.

The membership has grown, it has grown some 80 percent over the past 5 years, but we have to worry about what it is costing us and what it is costing the viewers. We spent 45 to 50 days a year on the air raising money. I can tell you that there is nothing that annoys me more, and that we receive more complaints about than on-the-air fund raising.

We have found that if we make the on-the-air fund raising aggressive, the amount of money goes up and the amount of complaint goes up proportionately. If we make them a little bit more pleasant, the money goes down. So the problem is, how long can

you keep doing that? How much more can you reasonably expect the membership to grow?

If what people tell us when we talk to the Rotary Club and the Kiwanis Club, and take our little informal polls is any indicator, our viewers would much rather see a few commercials than more and more on-the-air fund raising.

There is one traditional funding source that many public television stations around the country depend upon, and that is State support. I think it is true that the typical public television station receives 30 some odd percent of its revenue from State and Government sources.

There was no State money in Missouri until about 4 years ago when there was special bipartisan support for a public television aid bill that was passed by the legislature that at maximum would provide substantial amounts, but it never has. The most that has ever been appropriated is $90,000, and that was divided between four stations.

That is not going to grow, Mr. Chairman. The fiscal conditions of our State are such that it is not going to grow. If it does, it will be just a few dollars. I don't think that it will ever reach anything close to its authorized levels.

All of the persuasive arguments for more money for public television, it seems to us, comes down to a single word: programing. In our situation, we have found that the cost of acquiring programing has gone up almost 200 percent in the past few years, but we have only been able to make the amount of money available to buy programing grow about 75 percent over that same period.

The result is just as in San Mateo, there are many worthwhile programs that are seen in other parts of the country on public television that are not seen in St. Louis. We just don't have the money to buy them. More important, perhaps, is the need in our particular situation to really leap forward in terms of local programing. I think we are kind of behind in that area. We are making some good strides, but we may need to make a quantum leap. We need the money for more people to keep up, and to keep up with very expensive and rapidly changing technology.

So when we look at all of these facts—the strain on membership, the needs for programing, the absence of State support, the success of one nontraditional source already in place—we come to the conclusion that it is time for us to experiment with advertising.

We really say that not with reluctance, or with a sense of last resort, but with the conviction that advertising is perfectly appropriate and, in fact, a desirable funding mechanism for at least some public television stations.

A couple of observations. First, the great fear that the presence of advertising would lead to a lowering of program standards. I don't think that could ever happen, because that solution is available to us right now, if we wanted to use it.

There is nothing in the communications law that would prevent us from going out and putting on the air all of those programs that are labeled "The Worst of Television," but that have great mass appeal. If we did that, presumably our audiences would grow, and the membership income would grow with it. We have not done that because that is not what we are there for. Our ethics deny it. We

wouldn't do it with advertising either. Our communities would not permit it.

Second, the notion that advertising has no place in a quality broadcast environment, I think that there is a great role model in the commercial classical music stations of America. I think that most people would agree that the classical music stations are very much appreciated by their audiences, and that they represent perhaps the finest quality broadcasting environment.

In every major American city, including Washington, there is a classical music station that is a commercial success. The people who operate those stations have proven that advertising can exist and can be handled with taste and dignity in the broadcasting environment, and in a quality broadcasting environment.

The last thing I would like to do is to report to you the position, with respect to advertising, of my station's board of trustees.

As you know, Missouri is known as the "Show Me" State. In keeping with that tradition, 2 years ago when our board was faced with the question of, "Shall we make ourselves available to be in the experiment," it was discussed in some detail. The conclusion the board came to was that we would rather let someone else do it, but we are going to watch it very closely. When we have seen the results of the experiment, then and only then will we decide whether or not we want to pursue the matter of advertising.

The results being in, the reports have been studied by our board, and they have adopted unanimously a resolution calling for the continuation of the experiment. They have not said that they would necessarily authorize us to use advertising if that option becomes available to them. They have said that they think very strongly that they would like to have the option to make that decision themselves at the local level. So we do very strongly urge the adoption of the legislative plan that has been made part of the record.

Thank you.

[The statement follows:]

STATEMENT OF MICHAEL HARDGROVE PRESIDENT AND GENERAL MANAGER, KETC/ST. LOUIS

I am Michael Hardgrove, President and General Manager of KETC Television, which is licensed to the St. Louis Regional Educational and Public Television Commission. I am happy to have this opportunity to share with you the views of a station not part of the original experiment with advertising on public television but now strongly in favor of seeing that experiment continue.

Like many public television stations, KETC finds itself in a dilemma. Viewer interest in our programming has never been greater. Our prime time audience has increased 44 percent over the past five years. We are constantly told by people that Channel Nine is the only station they watch and that they would be lost without it. Yet, our hard-pressed financial base will not expand rapidly enough to insure continuation of the quality program service these viewers have come to expect.

KETC relies on all of the traditional funding mechanisms of public television—membership, underwriting, auctions, special events. Our response to the recent reduction in federal support was to redouble efforts in these traditional areas. We have met with good success and have weathered the cutbacks without serious injury. Still, it is clear to us that traditional sources alone will not do the job and that we must identify new, or nontraditional, sources. Fortunately we did just that in establishing a taxable, for-profit subsidiary about two year ago. The company, called VideoNine, is in the television facilities rental business. Absent revenues that KETC is receiving from VideoNine this year, we would be in a dificit situation, which is unacceptable to our Board, or would have reduced our program service,

which is unacceptable to our community. While we think that there is growth left in the traditional funding sources, we think that growth will be slow—perhaps no more than five percent a year—and we are particularly concerned with the long-term viability of membership, which is our principal source of revenue. Over the same five year period mentioned earlier, membership revenue has increased 83 percent and now accounts for just under fifty percent of the station's budget. But at what cost? KETC devotes some 50 days per year to on-air membership campaigns. They are productive, they are necessary—and they are a great irritant. We receive more complaints about pledge drives than any other subject. We must ask ourselves how much more we can reasonably expect from membership.

On traditional funding source that is virtually nonexistant for us is state support. It has been reported that the typical public television station receives 30 to 35 percent of its money from state and local government. For KETC, it is 0.01 percent, or about $35,000. There was no state money in Missouri at all until 1980, when a public television assistance act was passed with strong bipartisan support. While the act authorizes substantial amounts, the appropriation has never exceeded $90,000, to be shared among four stations. The fiscal condition of our state makes it extremely unlikely that this appropriation will grow appreciably.

There are many persuasive arguments for more money for public television. For us it comes down to a single word—programming. We desperately need an increased revenue base so that we may expand and improve our programming. That is not to say that we are not quite proud of the existing program service, but we recognize that there is more to be done. For example, we are battling massive increases in the cost of acquired programming. During the five year period that we have been discussing, the cost of acquired programs rose an average of 195 percent, but the acquisition budget rose only 75 percent. As a result, there are many worthwhile programs enjoyed by viewers in other parts of the country but not seen in St. Louis, not because we do not want to broadcast them, but simply because we do not have the money with which to buy them.

More important, perhaps, we are at the point where we must make a quantum leap in local programming if we are ever truly to be the kind of television station our community deserves and, we believe, very much wants. Local programming is a fundamental mission of any television station, commercial or noncommercial. To adequately meet our local obligations will require the money to hire more people and to keep peace with a rapidly changing and increasingly expensive technology.

Given the facts—audience demand for programming and the need to further improve programming—the strain on membership—the absence of state support—the success of one nontraditional source already in place—we come inescapably to the conclusion that it is time for us to experiment with advertising.

We say that not with reluctance nor with a sense of last resort, but rather with the conviction that advertising is a perfectly appropriate and desirable funding mechanism for public television.

Two observations. First, great fear has been expressed that the presence of advertising would lead almost axiomatically to deterioration of program standards because we would all rush out to buy programs of the lowest common denominator in order to appeal to advertisers. Nothing could be further from the truth. That solution is available to us today if we choose to use it. That is to say, there is nothing in the law to prevent us from running some of those programs which have broad popular appeal, but are cited frequently as examples of the worst of television. Presumably if we did so, our audiences would increase and, in turn, our membership revenues. But we have not done this and we are not likely to, either now or with advertising, because our professional ethics deny it, and our boards and communities would not accept it. And as a practical matter, research from the advertising demonstration supports the conclusion that programming will not become a slave to advertising.

Second. much has been made of the notion that somehow advertising has no place in a quality environment; that the presence of advertising would pollute public television. I think that we have only to look at America's commercial classical music radio stations to see the fallacy of this argument. No one would deny that classical stations are well loved and much appreciated by their audiences, and that they represent a quality broadcast environment. Yet in virtually every major city there is a classical music station that is a commercial success. The people who operate these stations have shown that advertisements can be handled with taste and dignity. When public television begins to accept advertising, we shall look to commercial classical music radio as a role model.

Finally, I can think of no more persuasive argument for continuing the experiment with advertising than to report to you the position of KETC's Board of Trust-

ees on this issue. As you know, Missouri is known as the "show-me" state. In keeping with that honored tradition, our Board elected not to volunteer to participate in the first advertising experiment. Instead they said we will watch the experiment with interest, we will study and evaluate the results, then, and only then, will we decide whether to pursue the matter of advertising. Well, the results of the experiment are known and have been discussed by our Board. They see potential in advertising. They have adopted unanimously a resolution calling for continuation of the experiment. They have said they would like to have locally the option of determining when, how and if to use advertising.

There is no greater service this Committee could do for the future well-being of public television than to propose a new and expanded experiment with advertising. Thank you again for the opportunity to present these views. I will be pleased to answer any questions you may have.

Senator GOLDWATER. Thank you very much, Mr. Hardgrove.

Mr. Collins.

STATEMENT OF J. MICHAEL COLLINS, PRESIDENT AND GENERAL MANAGER, WNED, BUFFALO, N.Y.

Mr. COLLINS. Thank you very much, Mr. Chairman.

I am president of the Western New York Public Broadcasting Association, which is the licensee of public television station WNED-TV, and public radio stations WEBR-AM and WNED-FM in Buffalo, N.Y.

As chief executive of three public stations, much of my daily concern is with how we can raise the very substantial dollars necessary to continue providing service to the western part of New York State, and its nearly 1¾ million people.

The job of accumulating those dollars each year grows more difficult as our audience expects more of us. So each year, in order to operate the service the public uses so freely, we have to explore new and different ways of accumulating funds—with methods that are compatible with what our viewers expect of us.

This thing called public television, or public broadcasting, really, is an unusual enterprise. It is one of our Nation's most used service in terms of numbers of folks who watch and listen each week, and yet it was conceived and brought into this world without any visible means of support.

Largely through an ingenious use of the airwaves and helpful interpretations of the law and FCC rules, we have been able to make our own way—as a beggar with a tin cup when we perform our regular ritual of on-air fund raising, as shopkeepers when we run our on-air TV auction—I am sure you are familiar with those—and as sales people when we persuade corporations to help pay for our programs through underwriting.

Each year the financing of a number of public television stations grows more tenuous. Each year some stations are forced to choose, as my colleagues have reported, between continuing to produce, for example, a local program, or purchasing a fine national series like "Great Performances," "MacNeil/Lehrer," or even "Sesame Street."

I should point out here, Mr. Chairman, that practically all of the programs that we and other public television stations carry must be purchased, even those fine PBS programs that I have mentioned, "MacNeil/Lehrer," "Sesame Street," "Nova," "Natures," and so on. The reason people have to make this choice is severe

shortage of funds in the system that keeps us from properly carrying out our mission.

On the national program front, the story has its parallel. Our station is the coproducer of "Reading Rainbow," the new reading series with LeVar Burton that PBS premiered last summer. Let me say a word about that.

The series is designed to keep young children reading at grade level when they leave school, for the summer particularly in first and second grade. When they leave school in June, many children are reading at grade level. When they return in the fall, they are reading at approximately 2 months below their grade level, and the teacher must spend a good month to 6 weeks bringing the children back to grade level before he or she can begin to work on that year's reading program.

In order to combat that, we and the Great Plains National TV Library put together a series, LeVar Burton is the host. The programs deal with books. The important thing about the series is not to get the children to watch the television program. The television program is only a motivator. The television program tries to get the children to go to the library. It tries to get them to pick books off the shelf and read them. It has book reports on it. It has marvellous field trips on it. By and large, it is a program that intends to attract children to the idea of reading.

In its initial year, we attracted $1.5 million in underwriting and CPB support, which was enough to produce 15 episodes of this program. For the coming summer, our funding has been cut. This not only hurts WNED in Buffalo, but this hurts every public television station in the country which carries the program. We have managed to find only $900,000 for five new episodes of a series that the TV critics, parents, and children alike have enthusiastically supported.

For summer 1985, the picture is even more sketchy. No funds have yet been found and production of the summer 1985 programs, because of the lead time that is necessary, must begin in six months. We have a deadline of just six months to find any dollars for the Summer of 1985.

Faced with situations like the ones I have described, there are some of us who believe that we have to seriously examine any legitimate means within our capabilities for generating net income to operate the service our viewers, the American people, expect.

The TCAF experiment has shown that advertising is not a panacea for all the financial concerns of public TV. It has shown, however, that limited advertising, as conducted in the experiment, could add 10 to 15 percent to a station's revenue base, and in our world this is a substantial contribution.

Given the fact that public television is an association of independent organizations, each serving a particular community, locally governed and locally operated, it would seem logical that individual stations should not be encumbered with rules or legislation which keep them from earning the funds they need to provide their service.

It would seem that the rules and the law should permit fund raising through advertising with the principal governing factor to be whether or not a local station's board chooses to use that par-

ticular fund raising tool in much the same fashion as local boards throughout the years have chosen whether or not to run a TV auction, or whether or not to do on-air membership fund raising.

If this can be accomplished without upsetting the program of Federal support, those stations who choose to use such an option should be free to do so. However, you and your colleagues will make the choice. Should you in your deliberations decide that a choice must be made between limited advertising and a continued and modestly expanded program of Federal support, for me and I think for many of my colleagues there could be no choice.

A basic underpinning of Federal support, a program that keeps us even with the inflation in our industry, is absolutely imperative, Mr. Chairman. Each of us must have Federal support as a base to build upon. Our membership, our underwriting, our auctions, and even advertising, if that should come about, can show substantial variations from year to year.

These variations occur due to circumstances such as the national economy over which we have no control. Our Federal support is and must continue to be the stabilizing factor. It is the essential element which allows us to make plans from year to year. While for each station it is only a portion of our funding, for many of us it is one of the most important because it is reliable.

I simply come to put myself and our station on record as favoring continued limited advertising if it can be accomplished within the framework of expanded Federal support. If it cannot, if a choice must be made, I ask you to choose Federal support at an increased level.

Thank you.

Senator GOLDWATER. Thank you very much, Mr. Collins.

Mr. Kaiser.

STATEMENT OF LLOYD KAISER, PRESIDENT, WQED, PITTSBURGH, PA.

Mr. KAISER. Thank you, Mr. Chairman.

I am an opponent of advertising on public broadcasting. The suggestion that public broadcasting embrace advertising to me is a desperate attempt by a responsible group of stations that sincerely want to serve their communities well and can't with past sources of revenue. The Congress and the FCC have sought new alternatives and have found none. The administration has proposed smaller, rather than larger, Federal support, and rescission request follows rescission request.

The equipment costs launch skyward, and Federal support for replacing our gear nosedives. So out of desperation, some of my esteemed colleagues, understandably, seek to immitate our commercial brethren. I don't. I understand their frustration and their desperate rush to a conspicuous cash register. As costs soar and income sinks, they have got to try something. What other alternative exists?

I will tell you mine. Simply stated, it is, let's proceed with the original script. When you created public broadcasting, you created a wonderful edifice. You mustn't now leave the crack in its foundation untended. It was assumed in the original legislation, and reaf-

firmed by two Carnegie reports, that the Federal Government should play a major role in financing public broadcasting.

That was not to be like the BBC, with one check from the Federal Government. This is not Great Britain. Rather it was to be a significant matching portion of the total amounts CPB and NAPS have been requesting, and to then appropriate what has been authorized. We will do the rest with local, State, and underwriting support and with profitmaking subsidiary activities. But I exclude advertising; I would like to tell you why.

Advertising, in my view, will decrease our present support, increase our costs, change the basic character of public broadcasting, and in exchange it will not be a national solution to a national problem.

The FCC TCAF study asked our viewers if WQED should use advertising if it needed those dollars to survive, and our viewers said, yes. In a later study, we asked our viewers if they wanted advertising compared to underwriting or on-air pitches, et cetera. Our viewers said, no. My 45-member board representing the community has said, no. One large corporation called and said that if we carried advertising, we had received our last dollar.

One of our commercial stations is planning a quarter of a million dollar benefit for us. I think the NAB would suggest that such help would hardly be appropriate if we carried advertising. By our estimate, the same figure, a quarter of a million dollars, is what would net from a year of advertising.

On loss of local support alone, we would proceed with advertising at our peril. In Pittsburgh, we don't need an experiment to tell us that. State support is particularly crucial to the small and the medium size stations in Pennsylvania. Most of us think that if we had advertising, appropriations would be jeopardized in our State.

Many State systems or university systems don't allow fund raising. At least one State system manager told me that many of the State legislatures would stop all support, thus killing their State networks, if advertising became nationally acceptable. States provide a large source of public broadcasting funds. It is unthinkable to jeopardize them.

The Department of Commerce representative on the FCC TCAF Committee favored advertising. The administration has sought rescission. They go hand in hand. "Get your money from advertising, and not from Federal funds," is their pitch. But you can answer better than I.

As I ask you today for increased Federal funds, would my case be stronger or weaker if we were currently receiving advertising income? Those who favor advertising say they wouldn't if it reduced Federal funding, I fear that it would. Are my fears justified?

Public broadcasting cannot exist without our underwriting income. It is sizable and it must increase. It is one of the few major sources of additional income that you have allowed us. A station receives an underwriting grant for a national program on PBS, and every station in the system benefits.

We have National Geographic specials, Masterpiece Theatre, Smithsonian series, with $1, $2, $3, $4 million grants. Are we now to tell those corporate underwriters that their multimillion-dollar series will be surrounded by local $100 and $500 product spots from

other companies? Or that now, instead of multimillion-dollar program grants, they can spend less money on commercial spots in the 5 or 10 markets where they most want to push macaroni?

We need more, not less national program money, and it needs to benefit the entire system. At least one major underwriter has said that it underwrites public broadcasting programs because it allows its corporate name to appear in a noncommercial environment. That company has said that it would get out fast if we became commercial. Instead, they could go commercial all the way on ABC, CBS, or NBC, and get a real commercial advantage.

Make no mistake, the character of public broadcasting would change dramatically with commercials. Advertisers would not only want to reach our audience because of our demographics, but would want to be adjacent to the largest hunk of those demographics. That means popular programs with the largest audiences. So our programing would change.

Some might believe that we are different, but the advertisers aren't. They are mostly represented by the same advertising departments and agencies that have learned the Madison Avenue ropes, and would be considered fools not to seek the advantages that wide interest programs, wise program placement, and better ratings engender. They are professionals who know how to spend their client's money wisely and to move products.

Public broadcasting would change while in the swift commercial lane. Some public broadcasting stations now carry reruns of "I Love Lucy," and others secure any available movie package that will enhance their audience.

To suggest that a 30-city experiment for 3 years is limited, that it gives local option, and that it will produce the facts is, I am sure unintentionally, misleading; 30 cities for 3 years is national, not regional, not limited. It could conceivably start the damage immediately, and the damage would be national not local.

The proposed limited nature of the advertising in terms of type and placement sounds surprisingly like the beginnings of advertising on commercial broadcasting years ago. It then changed completely as dictated by the normal forces of the marketplace.

If advertising were to come to public broadcasting, what then would be our significant difference? Could anyone really find our reason for being? What then would cause us to be innovative and courageous and a service first enterprise? Would we continue our search for greatness, or would we merely be known as that ineffective commercial network?

Those who propose advertising are properly concerned about increased union costs if we become a commercial system. Once the public broadcasting airways glisten with caviar, Cadillacs, and cheese commercials, no one imagines that our labor costs will not also become elegant. The proposal is that the stations that advertise pay the increased costs. Impossible.

If a producing station must pay more to union members before delivering a national propram to the PBS system, will the 30 stations engaged in advertising pay that increased cost for the entire system? No, they would go broke with that policy. Rather every station buying that program would pay more because 30 had commercialized the system.

Underwritten programs would find the total additional cost at the door of the potential underwriter not an encouraging thought as we try to motivate increased underwriting dollars.

Finally, I would suggest that we have a national funding program that cries for a national solution. It must combine with an increased local effort that will not harm others. Advertising misses on three counts. Its supporters agree that it is a small part of the answer. It will surely raise the costs of everyone, and perhaps fatally reduce Federal, State, and local income for many.

There will be a net income increase for only those with adequate community sources to support advertising and who want to see it on their air, this at the expense of all others. And, those harmed can't be reimbursed for great system losses from an inkwell of pennies.

You and we appear to be the only alternatives that will work. Federal dollars matched by all that the local stations can do. That was the original script. Radical surgery can kill the patient. Rather than that kind of experiment, let's support public broadcasting by meeting CPB and NAPTS financial requests. I am confident the stations, and the American people will enthusiastically match your spirit and your dollars.

Thank you.

[The statement follows:]

STATEMENT OF LLOYD KAISER, PRESIDENT, METROPOLITAN PITTSBURGH PUBLIC BROADCASTING, INC. (WQED-TV, WQED-FM)

SOME COLLEAGUES SUGGEST ADVERTISING

The suggestion that public broadcasting embrace advertising is a desperate attempt by a responsible group of stations that sincerely want to serve their communities well, and can't with past sources of revenue. The Congress and the FCC have sought new alternatives and found none. The administration has proposed smaller rather than larger federal support. And, recision request follows recision request.

Equipment costs launch skyward and federal support for replacing our gear nosedives. So out of desperation some of my esteemed colleagues understandably seek to imitate our commercial brethern. I don't. I understand their frustration and their desperate rush to a conspicuous cash register. As costs soar and income sinks, they've got to try something. What other alternative exists?

STICK TO THE SCRIPT

I'll tell you mine. Simply stated, it's let's proceed with the original script. When you created public broadcasting you created a wonderful edifice; you mustn't now leave the crack in its foundation untended. It was assumed in the original legislation and reaffirmed in two Carnegie reports, that the federal government would play a major role in financing public broadcasting. That was not to be like the BBC with one check from the federal government. This is not Great Britain. Rather, it was to be a significant, matching portion of the total: the amounts CPB and NAPTS have been requesting and to then appropriate what has been authorized. We will do the rest with local, state and underwriting support and with profit-making subsidiary activities. But, I exclude advertising; I'd like to tell you why.

ADVERTISING, IN MY VIEW, WILL DECREASE OUR PRESENT SUPPORT, INCREASE OUR COSTS, CHANGE THE BASIC CHARACTER OF PUBLIC BROADCASTING AND, IN EXCHANGE, WILL NOT BE A NATIONAL SOLUTION TO A NATIONAL PROBLEM

1. Decreased local support

The FCC TCAF study asked our viewers if WQED should use advertising if it needed those dollars to survive and most said yes. In a later study we asked if our viewers wanted advertising compared to underwriting or on-air pitches, etc. Our viewers said no. My 45 member board representing the community has said no. One

large corporation called and said if we carried advertising we had received their last dollar.

One of our commercial stations is planning a quarter of a million dollar benefit for us. I think NAB would suggest that such help would hardly be appropriate if we carried advertising. By our estimates, the same figure, a quarter of a million, is what we'd net from a year of advertising. On loss of local support alone we'd proceed with advertising at our peril. In Pittsburgh we don't need an experiment to tell us that.

2. Decreased state support

State support is particularly crucial to the small and medium sized stations in Pennsylvania. Most of us think that if we had advertising, appropriations would be jeopardized in our state. And, many state systems don't allow such fundraising. At least one state system manager told me that many state legislatures would stop all support thus killing their state networks if advertising became nationally acceptable. States provide a large source of public broadcasting funds. It's unthinkable to jeopardize them.

3. The decrease or elimination of federal support

The Department of Commerce representative on the FCC TCAF study committee favored advertising. The administration has sought recision. They go hand in hand. Get your money from advertising not from federal funds, is their pitch. But you can answer better than I. As I ask you today for increased federal funds would my case be stronger or weaker if we were currently receiving advertising income? Those who favor advertising say they wouldn't if it reduced federal funding. I fear it would. Are my fears justified?

4. Decreased income from underwriting

Public broadcasting cannot exist without our underwriting income. It is sizeable and it must increase. It is one of the few major sources of additional income you have allowed us. A station receives an underwriting grant for a national program on PBS and every station in the system benefits. We have National Geographic Specials, Masterpiece Theatre, the Smithsonian series, with 1, 2, 3, 4 million dollar grants. Are we now to tell these corporate underwriters that their multi-million dollar series will be surrounded by local $100, $500 product spots from other companies? Or that now instead of multi-million dollar program grants they can spend less money on commercial spots in the 5 or 10 markets where they most want to push macaroni? We need more, not less, national program money and it needs to benefit the entire system.

At least one major underwriter has said it underwrites public broadcasting programs because that allows its corporate name to appear in a non-commercial environment. That company has said it would get out fast if we became commercial. Instead they could go commercial all the way on ABC, CBS or NBC and get a real commercial advantage.

5. The character of public broadcasting would change

Make no mistake, the character of public broadcasting would change dramatically with commercials. Advertisers would not only want to reach our audience because of our demographics, but would want to be adjacent to the largest hunks of those demographics. That means popular programs with the largest audiences. So our programming would change. Some might believe that we are different; but the advertisers aren't. They are mostly represented by the same advertising departments and agencies that have learned the Madison Avenue ropes and would be considered fools not to seek the advantages that wide interest programs, wise program placement, and better ratings engender. They are professionals who know how to spend their clients' money wisely to move products. Public broadcasting would change while in the swift commercial lane.

Some public broadcasting stations now carry reruns of "I Love Lucy" and others secure any available movie package that will enhance their audience.

To suggest that a 30-city experiment over three years is "limited" gives "local option" and will produce "the facts" is, (I'm sure unintentionally) misleading. Thirty cities for three years is national, not regional, not limited; it could conceivably start the damage immediately.

And the damage would be national, not just local. The proposed "limited" nature of the advertising in terms of type and placement sounds surprisingly like the beginnings of advertising on commercial broadcasting years ago. It then changed completely, dictated by the normal forces of the market place. If advertising were to

come to public broadcasting what then would be our significant difference? Could anyone really find our reason for being? What then would cause us to be innovative and courageous and a service-first enterprise? Would we continue our search for greatness or would we merely be known as that ineffective commercial network?

6. Increased costs

Those who propose advertising are properly concerned about increased union costs if we become a commercial system. Once the public broadcasting airwaves glisten with cavier, Cadillacs and cheese commercials no one imagines that our labor costs will not also become elegant.

The proposal is that the stations that advertise pay the increased costs; impossible. If a producing station must pay more to union members before delivering a national program to the PBS system will the 30 stations engaged in advertising pay that increased cost for the entire system? No, they would go broke with that policy. Rather, every station buying that program would pay more because 30 had "commercialized" the system. Underwritten programs would find the total additional cost at the door of the potential underwriter. Not an encouraging thought as we try to motivate increased underwriting dollars.

Certainly, stations that advertise would soon find it is more costly to do business when they are no longer considered non-commercial and deserving. As their costs grow so will the costs of any programs they produce for the rest of the system. Unfortunately, the SPC could triple in cost by some scenarios. The damage cannot be limited; the character of the system will be forever changed.

7. Advertising is not a national solution

We have a national funding problem that crys for a national solution. It must combine with an increased local effort that will not harm others. Advertising misses on three counts: Its supporters agree it is a small part of the answer. It will surely raise the costs of everyone and, perhaps fatally reduce federal, state and local income for many. There will be a net income increase for only those who have adequate community resources to support advertising and who want to see it on their air—this at the expense of all others. And those harmed can't be reimbursed for great system losses from an inkwell of pennies.

8. You are the alternative

You and we appear to be the only alternatives that will work—Federal dollars matched by all that the local stations can do. That was the original script. Radical surgery can kill the patient. Rather than that kind of experiment, let's support public broadcasting by meeting CPB and NAPTS requests. I'm confident the stations ard the American people will enthusiastically match your spirit and your dollars.

Senator GOLDWATER Thank you very much, Mr. Kaiser.
Mr. Christensen.

STATEMENT OF BRUCE L. CHRISTENSEN, PRESIDENT, NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

Mr. CHRISTENSEN. Mr. Chairman, I appreciate the opportunity to present testimony this morning regarding the question of advertising on public television stations. I also bring you the greetings of our colleagues at channel 8 in Phoenix and their deep appreciation for all that you do for them. We join them in thanking you for all that you do for public broadcasting.

My name is Bruce Christensen, and I am the president of the National Association of Public Television Stations. Our association represents nearly 300 public television stations located in communities across the country.

I was a member of the Temporary Commission on Alternative Financing for Public Telecommunications, which was created in 1981 by the Congress when Federal support was sharply reduced. It was charged to examine issues related to public broadcasting financing.

Our association supports the conclusions of the temporary commission, and they are:

First. Federal support should continue. There is no foreseeable substitute for that support and no preferable alternative in the long run;

Second. Underwriting opportunities for private supporters should be expanded, and the FCC is asked to modify its rules to encourage this;

Third. The statutory prohibition on advertising should be retained unless benefits can clearly be shown to outweigh risks.

During this short session of Congress, it is our responsibility to seek legislation to reauthorize funding for the Corporation for Public Broadcasting for fiscal years 1987 through 1989. This is crucial to the stability of our not-for-profit activities in an environment already strained to its limits—a public television industry with no real growth since 1978, and shaken by the loss of $80 to $100 million in real cash over the 1983–84 years.

Our priorities are, then, to secure a new act with increased authorization levels, and to set aside any prolonged discussion over any issue which would delay consideration of that legislation.

The debate within public broadcasting, as you have seen this morning, over the economic and policy issues of limited advertising has been lively and occasionally bitter during the last 3 years. It raises issues that go to the constitution of our industry; issues so close to the heart are rarely matters for rational, reasoned discussion. Passion for preservation and survival are the hallmark of each participant in this discussion.

On the question of policy, public television stations unanimously agree that it would be far better if the level of funding coming into public broadcasting was such that it was not necessary to consider advertising as another source of revenue. If Federal funds had not been cut, but had been allowed to reach authorization levels originally set for public broadcasting in 1982, I believe advertising as a source of revenue would never have been tried by the public television licensees.

Public television stations face a serious shortage of funds today. Just in the last few weeks, the public television stations were unable to afford to purchase approximately the same programs which stations bought collectively a year ago. The problem was that the package of 21 programs carried a price tag for next year of about $4 million more than this year's schedule. At the same time, private underwriting support did not increase. Thus, the increased overall cost of those programs had to be borne by the entire public television community. That was an increase to them of 17 percent.

They felt that they could not afford it, so public television is now forced to develop a less expensive alternative, a package of 15 programs, a cut of one-quarter of the SPC program series.

It is the severity of public television's economic crisis alone that causes some of our stations to consider advertising as an alternative. Many of them recognize, as the Temporary Commission on Alternative Financing for Public Telecommunications has reported, that limited advertising provided significant additional resources to a number of participants under the conditions of the test.

Even though most of our licensees realize that advertising can never be a source of revenue for most of the stations in our system, there is reluctance to foreclose any new revenue source which can benefit even a small segment of our industry if the preservation of the system could be insured.

Preservation of the system as we now know it is precisely the question for those within our system who oppose any further testing. They see it as one more step down the road toward an unacceptable conclusion. They see it really as an implementation rather than experimentation.

The concern is both philosophical and economic. There is a decided uneasiness that even limited advertising over the long run will destroy the system as we know it today, that the nationwide system which has always been our objective will be eroded.

The economic concern runs parallel to the philosophical one. Advertising is simply not a viable option for most of our licensees, and, most seriously, it could jeopardize some of today's major income sources such as Federal and State funding, and national and local underwriting support.

The fact is that there is no way to predict with any acceptable degree of certainty what impact advertising might have on other income sources. This is perhaps the most difficult question our licensees have to face.

In conclusion, Mr. Chairman, public television licensees must come to grips with the questions of the impact of advertising and what it might have on our present funding sources, as well as the impact on our program services. These questions will be addressed when our licensees come together next week in Washington. I will be pleased to report to you the results of that meeting, and I will bring to this subcommittee those findings.

Thank you.

[The statement follows:]

STATEMENT OF BRUCE L. CHRISTENSEN, PRESIDENT, NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

Mr. Chairman, I appreciate the opportunity to present testimony concerning the question of advertising on public television stations. My name is Bruce Christensen and I am the president of the National Association of Public Television Stations. Our association represents nearly 300 public television stations located in communities across the country.

I was a member of the Temporary Commission on Alternative Financing for Public Telecommunications (TCAF), which was created in 1981 by the Congress when federal support was sharply reduced. It was charged to examine issues related to public television's financing. It was also authorized as part of this analysis, to conduct a test of limited advertising on public broadcasting, which it did. Our Association supports the conclusions of the Temporary Commission. They are:

(1) Federal support should continue; there is no foreseeable substitute for that support, and no preferable alternative in the long-term.

(2) Underwriting opportunities for private supporters should be expanded, and the FCC is asked to modify its rules to encourage this; the FCC is also encouraged to explore what other regulatory actions it can take to help improve public broadcasting financing.

(3) The existing statutory prohibition on advertising should be retained, unless benefits can be clearly shown to outweigh risks, and unless those not advertising can be protected from negative consequences of advertising by others. These last points are the subject in today's hearing.

During this short session of Congress, it is our responsibility to seek legislation to reauthorize funding for the Corporation for Public Broadcasting (for fiscal years

1987 through 1989). This is crucial to the stability of our not-for-profit activities in an environment already strained to its limits—a public television industry with no real growth since 1978 and shaken by the loss of $80–100 million in 1983–84 in federal cash alone. Legislation this year will provide part of that stability by preserving the existing forward funding mechanism, and authorizing public broadcasting adequate resources which it can plan on to continue service to the American public.

Thus our priorities are to secure a new Act with increased authorization levels and to get greater contributor identification through enhanced underwriting. At the same time, given the tremendous demands in Congress' time, prolonged discussion over any issue which would delay consideration of that legislation should be put aside.

The debate within public broadcasting over the economic and policy issues of limited advertising has been lively and occasionally bitter during the last three years. It raises issues that go to the constitution of our industry. Issues so close to the heart are rarely matters for rational, reasoned discussion. Passion for preservation and survival are the hallmark of each participant in this discussion.

On the question of policy, public television stations unanimously agree that it would be far better if the level of funding coming into public broadcasting was such that it was not necessary to consider advertising as another source of revenue. If federal funds had not been cut, but had been allowed to reach authorization levels orginally set for public broadcasting in 1982, I believe advertising as a source of revenue would never have been tried by public television licensees. But it's impossible to live with increasing program and operating costs, and constant deferral of plans for important new public services.

Public television stations face a serious shortage of funds today—putting aside the hopes and plans for the future. Just in the last few weeks, the public television stations were unable to afford to purchase approximately the same programs which stations bought collectively a year ago. The problem was that the package of 21 programs carried a price tag for next year of about $4 million more than this year's cost. At the same time private underwriting support did not increase; and thus the increased overall cost in those programs had to be borne entirely by the stations—an increase to them of 17 percent. They felt they couldn't afford it. So public television is now forced to develop a less expensive alternative—a package of 15 programs, a reduction of more than 25 percent—where the cost increase to stations was only 4 percent over last year. It is not clear whether there will be funding for those programs left aside, or for others which will seek funding this year.

It is the severity of public television's economic crisis alone that causes some of our stations to consider advertising as an alternative. Many of them recognize, as the Temporary Commission on Alternative Financing for Public Telecommunications (TCAF) reported, that limited advertising provided significant additional resources to a number of the participants under the conditions of the test, namely, that union and copyright representatives agreed not to adjust existing agreements for the duration of the experiment. Even though most of our licensees realize that advertising can never be a source of revenue for most of the stations in our system, there is a reluctance to foreclose any new revenue source, which can benefit even a small segment of our industry, if the preservation of the system could be ensured.

Preservation of the system as we know it is precisely the question for those within our system who oppose any further testing. They see it as one more step down the road toward an "unacceptable conclusion." They see it really as implementation rather than experimentation. The concern is both philosophical and economic. There is a decided uneasiness that even limited advertising, over the long run, will destroy the system as we know it today—that the nationwide service which has always been our objective will be eroded. The economic concern runs parallel to the philosophical one—advertising is simply not a viable option for most of our licensees and, most seriously, it could jeopardize some of today's major income sources, such as federal and state funding, and national and local underwriting support.

In fiscal year 1982, our public television system received $118 million in voluntary viewer contributions, $179 million from state and local governments, $151 million from the Corporation for Public Broadcasting and federal agencies, and $79 million in business grants. By comparison, those stations who were successful in the advertising demonstration program netted $3 million—and that "net" does not account for increased costs of union copyright, or system expenses which would be incurred absent the "test tube" protection of the experiment. (See attached charts.)

The fact that there is no way to predict, with any acceptable degree of certainty, what impact advertising might have on other income sources, is perhaps the most difficult question our licensees will have to face.

In conclusion, Mr. Chairman, public television licensees must come to grips with the questions of the impact advertising might have on present funding sources as well as the impact on program services. These questions will be addressed by our licensees when they meet here in Washington next Monday. I will be pleased to share the results of that meeting with you and members of your subcommittee.

Thank you.

SOURCES OF PUBLIC TELEVISION INCOME FISCAL YEAR 1982

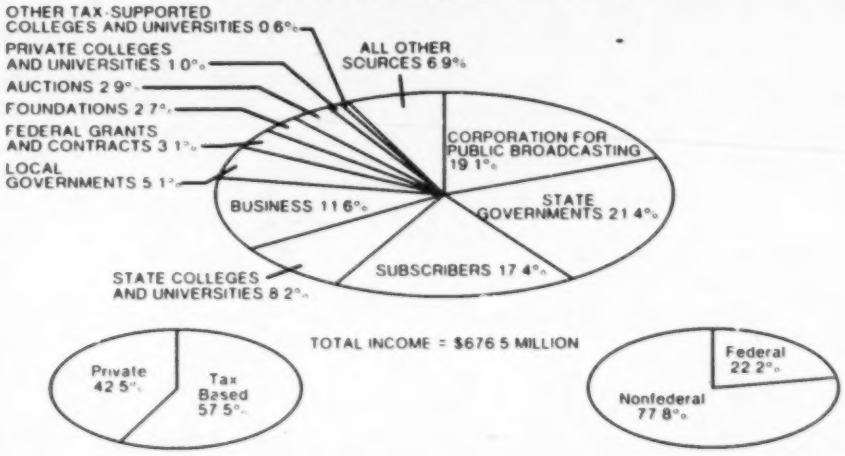
OTHER TAX-SUPPORTED COLLEGES AND UNIVERSITIES 0 6%
PRIVATE COLLEGES AND UNIVERSITIES 1 0%
AUCTIONS 2 9%
FOUNDATIONS 2 7%
FEDERAL GRANTS AND CONTRACTS 3 1%
LOCAL GOVERNMENTS 5 1%
ALL OTHER SOURCES 6 9%
CORPORATION FOR PUBLIC BROADCASTING 19 1%
STATE GOVERNMENTS 21 4%
BUSINESS 11 6%
SUBSCRIBERS 17 4%
STATE COLLEGES AND UNIVERSITIES 8 2%
TOTAL INCOME = $676 5 MILLION
Private 42 5%
Tax Based 57 5%
Federal 22 2%
Nonfederal 77 8%

TABLE 2.—PUBLIC BROADCASTING INCOME BY PUBLIC TELEVISION AND RADIO SYSTEMS, AND BY SOURCE FISCAL YEARS 1981–82

[Current dollars in thousands]

Source of income and system [1]	1981	Percent of total	1982 [2]	Percent of total	Dollar change 1981–82	Present change 1981–82
Corporation for Public Broadcasting:						
Public broadcasting	$162,000	21.1	$172,000	20.5	+10,000	+6.2
Public television	122,465	19.6	129,370	19.1	+6,905	+5.6
Public radio	39,535	27.7	42,630	26.2	+3,095	+7.8
Federal grants and contracts:						
Public broadcasting	31,669	4.1	26,300	3.1	−5,369	−17.0
Public television	25,891	4.1	21,230	3.1	+4,661	+18.0
Public radio	5,778	4.0	5,070	3.1	+708	−12.3
Local governments:						
Public broadcasting	44,401	5.8	42,700	5.1	−1,701	−3.8
Public television	35,519	5.7	34,600	5.1	−919	−2.6
Public radio	8,882	6.2	8,100	5.0	−782	−8.8
State governments:						
Public broadcasting	144,510	18.8	158,400	18.9	+13,890	+9.6
Public television	134,472	21.5	144,700	21.4	+10,228	+7.6
Public radio	10,038	7.0	13,700	8.4	+3,662	+36.5
State colleges and universities:						
Public broadcasting	81,966	10.6	89,500	10.7	+7,534	+9.2
Public television	50,683	8.1	55,000	8.1	+4,317	+8.5
Public radio	31,283	21.9	34,500	21.2	+3,217	+10.3
Other public colleges and universities:						
Public broadcasting	6,615	0.9	7,000	0.8	+385	+5.8
Public television	4,265	0.7	4,100	0.6	−165	−3.9
Public radio	2,350	1.7	2,900	1.8	+550	+23.4

TABLE 2.—PUBLIC BROADCASTING INCOME BY PUBLIC TELEVISION AND RADIO SYSTEMS, AND BY SOURCE FISCAL YEARS 1981–82—Continued

[Current dollars in thousands]

Source of income and system [1]	1981	Percent of total	1982 [2]	Percent of total	Dollar change 1981–82	Present change 1981–82
Private colleges and universities:						
Public broadcasting	12,197	1.6	12,700	1.5	+503	+4.1
Public television	6,720	1.0	6,800	1.0	+80	+1.2
Public radio	5,477	3.8	5,900	3.6	+423	+7.7
Foundations:						
Public broadcasting	19,253	2.5	22,200	2.6	+2,947	+15.3
Public television	15,018	2.4	18,500	2.7	+3,482	+23.2
Public radio	4,235	3.0	3,700	2.3	−535	−12.6
Business:						
Public broadcasting	86,845	11.3	89,900	10.7	+3,055	+3.5
Public television	77,161	12.3	78,600	11.6	+1,439	+1.9
Public radio	9,684	6.8	11,300	7.0	+1,616	+16.7
Subscribers:						
Public broadcasting	110,775	14.4	140,100	16.7	+29,325	+26.5
Public television	95,117	15.2	117,900	17.4	+22,783	+24.0
Public radio	15,658	11.0	22,200	13.6	+6,542	+41.8
Auction:						
Public broadcasting	20,063	2.6	20,100	2.4	+37	+0.2
Public television	19,376	3.1	19,400	2.9	+24	+0.1
Public radio	687	0.5	700	0.4	+13	+1.9
All others:						
Public broadcasting	48,601	6.3	58,300	7.0	+9,699	+20.0
Public television	39,433	6.3	46,300	6.9	+6,867	+17.4
Public radio	9,168	6.4	12,000	7.4	+2,832	+30.9
Total nonfederal income:						
Public broadcasting	575,226	74.8	640,900	76.4	+65,674	+11.4
Public television	477,764	76.3	525,900	77.7	+48,136	+10.1
Public radio	97,462	68.3	115,000	70.7	+17,538	+17.0
Total income:						
Public broadcasting	768,895	100.0	839,200	100.0	+70,305	+9.1
Public television	626,120	100.0	676,500	100.0	+50,380	+8.0
Public radio	142,775	100.0	162,700	100.0	+19,925	+14.0

[1] PB, PTV, amd PR, refer to total public broadcasting as a whole, public television, and public radio, respectively.
[2] Fiscal year 1982 data are preliminary and subject to revision following financial audits and verification.
Source: Corporation for Public Broadcasting, Policy Development and Planning, June 1983.

Senator GOLDWATER. Thank you, Mr. Christensen. I hope you don't forget to keep us posted on that meeting.

Mr. CHRISTENSEN. I shan't.

Senator GOLDWATER. Mr. Cheifet, your tape has arrived.

Mr. CHEIFET. Yes, Mr. Chairman.

[A video tape was shown.]

Senator GOLDWATER. Was the purpose of these examples to show limited advertising?

Mr. CHEIFET. Yes, Mr. Chairman. What we saw there were two sample station breaks from WTTW in Chicago during the spring of last year, during the advertising demonstration project, showing the use of the time between programs, a maximum of 2 minutes, to do that approach to fund raising, yes, sir.

Senator GOLDWATER. Fundamentally, I think this is the question we are driving at: Where does the FCC—I will use the word "au-

thorize" rather loosely—authorize advertising, and where does it not?

Frankly, I think that one of the great advantages of public broadcasting and public television has been the absence of commercial type advertising. I think it is one of the reasons that public broadcasting and public television have such wide acceptance. I only speak from my own experience in my own State, but the finest television shows we get are from our public television.

I realize that regular television can't exist without paid commercial advertising. I also say that it is the worst feature of regular television. I have been an advertiser in my life. I have spent a lot of money on it. Some of the stuff I look at on regular television I wouldn't pay 5 cents for.

I don't think that public television or radio should get involved in that. At the same time, I realize that you have a hard nut to crack with the way the President and the Congress have cut funding for public broadcasting.

I want to ask you a couple of questions, Mr. Cheifet. How could advertising remain voluntary? What if a station had a policy of not advertising, and a corporation said, "Take our advertising or you will get absolutely no money from us." How could stations resist those kinds of pressures once advertising was authorized?

Mr. CHEIFET. That is a hypothetical, of course, Mr. Chairman. I don't think in fact, that that happened in very many cases in our experience while we had the option of offering corporations either underwriting or advertising. Depending on the particular needs, and the particular dollars available to different corporations, each found that one particularly suited their needs or not. Even during advertising, we continued to do underwriting on our station, and we had more underwriting than we had when we were not doing advertising.

I don't really think that it is necessarily an "either/or" situation. I think, as we have suggested, this mix of funding already exists. We can have underwriting, you can have limited advertising, you can have subscriber income, and Government funding. Certain corporations want that particular look of underwriting. They don't care to get into advertising, or spend the difference in the amount of dollars.

So while this is a theoretical situation, our experience was, during our year of doing this, that, in fact, we, for example, were never once asked to make that choice.

Senator GOLDWATER. They could put a lot of pressure on you. You have never determined if advertising really can be a voluntary option. In your taped examples, I think that the institutional type of advertising would do the advertiser far more good than advertising specifics but, I am not sure of that. I know, in my experience, it is about 50–50.

Do you have much success with telephone solicitation? Do you engage in that?

Mr. CHEIFET. Our station does not engage in telephone solicitation, Mr. Chairman.

Senator GOLDWATER. Do the rest of your stations use that and find it rather successful?

Mr. KAISER. Yes; we use direct mail, telephone, and on-air. Unfortunately, the on-air is the most successful. The direct mail is the next most successful. The most successful thing in telephone solicitation are those whose membership has lapsed, and they are called and reminded, and very often they will make the commitment on the phone. New solicitation by telephone has not been successful for us.

Senator GOLDWATER. Stations in Arizona often use banks of telephones in studios.

Mr. KAISER. On-air solicitation, we almost all do that, yes.

Senator GOLDWATER. You do that, and it works pretty well. I think you said you lost $200,000 last year.

Mr. CHEIFET. That was in Government, Mr. Chairman, not in subscriber income. Subscriber income increased during the time that we were doing limited advertising. Our viewing audience increased during the time we were doing limited advertising, and we did not change the programing in an effort to do that.

I think, Mr. Chairman, I might comment to your earlier point, too. There are built-in controls in the system that limit the kind of limited advertising we are talking about in a variety of ways. Even during the experiment, stations—mine and the others in the experiment—did turn down commercial messages which we thought were inappropriate for the environment in which we are doing our programing, and would be offensive to underwriters, and would be offensive to viewers.

We are in this business of noncommercial education. Public Broadcasting is a nonprofit public service, and we choose to be because we believe and stand for the kinds of programing you described, the best kind of programing, which comes out of a public television station. I think if all of us wanted to be in commercial television, we would do it. We are in this particular aspect because we believe very strongly in the very kind of programing you are talking about.

We are in no way, as I think was said at the table earlier, trying to imitate commercial broadcasters. We are talking about a very, very limited use of a very small amount of time to attempt to increase the amount of revenue that we need to continue to produce these kinds of programs which, as you so correctly described, are so important.

Senator GOLDWATER. I agree with you that more money is going to be needed. The only question in my mind is what is a little bit of time. How long is a little bit going to hack it? Then you are going to have to raise it a little more, a little more, and a little more. You will begin attracting all the junk that you look at today.

Mr. CHEIFET. Let me answer that because that is a very tempting argument, I agree, it is a little bit now, and then a little bit more, a little bit more.

I believe we have drawn a very hard and rigid line that I don't believe any station in the demonstration project would disagree with, which is that you do not interrupt programs. What we heard from our viewers, as Mr. Hardgrove suggested in his survey of his viewers, they do not mind these tasteful commercial messages as long as they are between programs. We are talking about a maximum of 2 minutes between programs.

If we were to interrupt a program, frankly as some public television stations already do during pledge periods, the audience would scream. But I think all of us agree that that is a line you would never pass, or we would alienate our audience, alienate our subscribers, and we would go out of business.

So I think it is very clearly defined. It is sometimes very difficult to clearly define things like underwriting. It is very easy in limited advertising to clearly define the wall beyond which you do not go. I do not believe anybody would advertise going beyond what we are talking about now, a maximum of time only between programs, and a maximum of 2 minutes between those programs, which as I said in our case amounts to less than 7 percent of our schedule. Mr. Hardgrove suggested that they are spending 50 days a year right now on their fund raising by other means.

Senator GOLDWATER. Mr. Christensen, at your next meeting it wouldn't be a bad idea, if you haven't already done so, to see if you can draw up some definitions of what limited commercial advertising might be.

Mr. CHRISTENSEN. We have talked about that, Senator, and we will bring that information back to your subcommittee for the record.

Senator GOLDWATER. If you come to any more conclusions, I would like to see them.

Mr. CHRISTENSEN. Fine.

[The following information was subsequently received for the record:]

NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS,
Washington, D.C., May 3, 1984.

Hon. BARRY GOLDWATER,
Chairman, Subcommittee on Communications, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I appreciate this opportunity to respond for the record to a question you asked me during the Subcommittee's February 22nd hearings—the position of the National Association of Public Television Stations on the issue of limited advertising on public television.

A representative group of our stations met to develop a consensus position on this issue on February 27th. The group concluded that new and expanded opportunities to attract corporate investment in our services—which would benefit stations systemwide—must be explored, defined and marketed. Although the group decided not to seek our support a legislative proposal to extend the advertising experiment at this time, our stations have not closed the door to consideration of limited advertising in the future.

Again, Mr. Chairman, on behalf of every public television station in the nation, we are most grateful for your leadership on our behalf and look forward to working with you in the future.

Sincerely,

BRUCE L. CHRISTENSEN.
President.

Senator GOLDWATER. Any one of you can answer this. How would you respond to the philosophical concern expressed by Mr. Kaiser and others that advertising would change the fundamental character of public broadcasting?

Mr. HARDGROVE. In my comments, I tried to bring the parallel betweeen public television and classical music radio stations, and in my personal opinion the classical music stations represent the

finest in broadcasting. As I said, there are many of them that are commercially supported.

There is one in Chicago that has laid down many rules to the people who want to advertise on that station. They must let the station rewrite the message. They must let the station pick the announcer. They must let the station pick the time of day. They will not accept any jingles.

They are very careful to make sure that the commercial messages are harmonious with the image of the station, and the way the listeners respond to the station. I just have enough faith in the boards and the managers of noncommercial television stations to honestly believe that if we have the opportunity to run some commercials that we would be just as careful and just as tasteful.

What we really are talking about is the space between programs. That space is already cluttered, it is already loaded. In some cases, it is loaded with underwriting messages that are perhaps more blatant and annoying than a well done commercial. I think we have to believe that our boards and our managers would use this opportunity with a great deal of responsibility.

I really feel that the use of the word "desperation," that we are turning to this in desperation is not the case. I would do it with pride, given the opportunity.

Mr. CHEIFET. Mr. Chairman, in addition to what Mr. Hardgrove said, I think there is a very serious economic bottomline reason why the very character of public broadcasting would not change simply because we would not succeed in limited advertising if we did change it.

Our experience was that the very reason we were able to attract advertisers to public television was because of the quality programing. If we started to run "I Love Lucy" reruns, and "Laverne and Shirley," we could not attract those advertisers. There are ample commercial television stations around that can deliver far larger audiences than we can.

It would be suicide for us to attempt to do that very thing. Our subscribers would turn on us. Our corporate underwriters would turn on us. We would go out of business. The only way we could succeed in advertising would be to maintain the quality of our programing which is the very attraction which we uniquely can offer to an advertiser.

Senator GOLDWATER. But if we could increase the Federal help, you wouldn't even have to think about it. One of my concerns is, how will the universities who have public broadcasting put up with this? The universities have a different type of identity than General Motors or General Electric, or the Valley National Bank. I think that it would reflect on the accepted honesty of the university if they began running ads for specific companies.

Mr. CHEIFET. Mr. Chairman, we are licensed to a community college in San Mateo, Calif. We are in that situation. Universities have daily newspapers which carry ads. They publish magazines which carry ads. They have radio and television stations which would also be capable of carrying tasteful advertising without in any way, I think, interfering with the image of the university.

Senator GOLDWATER. They can do it, there is no question about that.

Mr. Christensen, in your statement, you said, "There is a decided uneasiness that even limited advertising over the long run will destroy the system as we know it today." Would you want to elaborate on that, because it bears on my last question?

Mr. CHRISTENSEN. Many of our stations, particularly our large State networks where a large percentage of their programing is educational, are concerned that as they turn to advertising and begin to do the kinds of things that advertising requires—we have talked about the pressure the advertisers might bring to bear on programing—that the nature of their program service will change over time.

That is a concern they have expressed, I think it was also expressed in what Mr. Kaiser said, and it represents a point of view and a position that these licensees hold given what they have seen as the experience in the commercial side of the world.

When commercial broadcasting got into advertising, it was on a limited basis. It was on a nonprogram interruption basis. It was on the basis that it would not intrude and that the ads would be tastefully done. As that medium has developed, they continue to be concerned about the implications of that for programing in public broadcasting. That is, I think, the basis of what I was trying to state here.

Mr. CHEIFET. Mr. Chairman, if I could comment. It is a somewhat mythical world to assume and pretend that there is this trade-off. We did not do advertising this fiscal year, and we lost $200 thousand. Nobody needed the excuse of advertising to cut our budget at the State level and at the local community level. We are already facing these cuts. The question is, what do we do now with that given.

Mr. Kaiser talked about a sick patient analogy here to public broadcasting. It seems to me, to carry that further, it is as if the sick patient, public broadcasting, is on the operating table, and we are being told, "If you have oxygen, you can't have blood. If you have blood, you can't have oxygen." We are saying that we need both to survive.

Senator GOLDWATER. I understand that. I don't think there is any question about that.

Thank you, gentlemen, very much.

Mr. CHEIFET. Thank you very much.

Senator Stevens, welcome.

We have two gentlemen who will testify separately. The first one will be Mr. Douglas Bennet, who is president of National Public Radio.

Mr. Bennet, if you have a prepared text, you may put it in the record and proceed as you wish.

STATEMENT OF DOUGLAS J. BENNET, PRESIDENT, NATIONAL PUBLIC RADIO

Mr. BENNET. Thank you very much, Mr. Chairman. I am very happy to be here. As you know, National Public Radio has 286 public radio station members around the country, and our system is never unanimous on anything. But this morning, I think I can

give you the views of the vast majority of our radio station managers.

They believe that advertising is a bad idea because it would contravene the basic principles of public broadcasting, and also because it would not generate significant net revenues. We would favor modestly enhanced underwriting which would give us the opportunity to say a few words more about the corporations and foundations whose voluntary contributions support our efforts, but this would be entirely different from seeking and accepting commercial advertising.

Public radio provides programing that is responsive to the public and, essentially, is by, for, and often about the public. It is a public good established for public purposes, and paid for by the public with tax dollars and individual contributions. It must meet standards of public accountability. It is managed by public institutions—universities, schools, and community groups. Public radio's success is measured against a very high standard—its ability to serve public interests.

Commercial broadcasting is different. It also serves the public, but it is managed by private interests for private profit. Its programing decisions are fundamentally determined by business perceptions of commercial markets.

One need only listen to public radio stations—whether they are broadcasting news, classical music, jazz, or bluegrass—to know that there is a difference that occurs when broadcasters are publicly accountable for the use of their allocated radio frequencies. One difference which has a great value to public radio listeners is simply the absence of commercial interruptions. Another, we like to think, is the richness of content which in any society would belong more to culture than commerce.

Whether public radio is better than commercial radio is not an issue here; what is the issue is the desirability of preserving the diversity and the value that public radio brings to the air waves. The vast majority of public radio broadcasters believe that advertising would seriously erode this diversity.

Even if public radio stations could maintain their public character, would it be appropriate for them to compete in commercial markets for advertising? Should commercial broadcasters have to compete for advertising against public broadcasters, who are subsidized in many different ways by their communities?

Conversely, could public broadcasting long retain its tax exempt status, preferential union and copyright arrangements, and support from State legislatures and the Congress if it had access to and engaged in commercial advertising?

Many radio stations, as the Chairman has just pointed out, are licensed to colleges, universities, or State agencies which are prohibited by State law or institutional character from advertising, precisely to avoid any direct competition with private enterprise.

Mr. Chairman, I would like just to say at this point that I agree completely with what you have been suggesting this morning. The answer to this is not to run to advertising, but to run to a larger contribution of Federal dollars. I don't think I need to hammer the point home, but the fact is that the Federal Government is now contributing on the order of 20 percent of the cost of public broad-

casting. The figure is about the same for radio and television. It is a very significant contribution. It is not an enormously large amount considering the comparable 80 percent that comes from universities, State governments, and listeners in our case.

It seems to me that the solution that we ought to be pointing toward is adequate public support for a very important public value, rather than trying to skirt it as Mr. Kaiser was saying before, rather than trying to crank in some kind of extraneous income source which—this brings me to the second part of my statement—we don't think will help public radio very much.

Our situation may be different for television, and I don't presume to speak for them. In addition to the position that we take on principle, there is a very practical consideration which is that we do not think that the large majority of public radio stations have access to significant net revenues from advertising. There are more radio stations in their markets. There are substantial overhead costs in running advertising programs. The net return for radio advertising is simply lower than it is for television advertising, even in commercial markets.

On balance, we don't see any reasonable help coming from that quarter, and we do believe that by opening up the possibility of commercial advertising we seriously jeopardize our unique purpose. In fact, I would go so far as to say that I would hesitate to sit before you to ask for Federal funding if we had the advertising option.

Mr. Chairman, that is the essence of my statement. I would be delighted to answer any questions that you might have, allowing in the fact that I have been at this for only 3 months and may not have all of the answers.

Senator GOLDWATER. Thank you very much, Mr. Bennet.

Senator Stevens.

Senator STEVENS. I have no questions.

Senator GOLDWATER. Mr. Bennet, you stated that the majority of public radio stations oppose advertising, and the public radio stations did not take part in the past advertising experiment.

What would public radio's position be if we suggested a second advertising experiment? Would you oppose a second experiment, or would you take part in one if it were authorized?

Mr. BENNET. We are fairly sure of our ground, and we feel that an additional experiment would not be necessary. If there were to be a second experiment, I would urge some public radio stations to participate in it just because I think there is a lot that we don't know about the possibility of raising money that way.

My understanding is, Mr. Chairman, that the last time around no public radio stations as far as I know wished to participate. I have knowledge of one station which might conceivably wish to participate if there were another experiment.

[The statement follows:]

STATEMENT OF DOUGLAS J. BENNET, PRESIDENT, NATIONAL PUBLIC RADIO

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to contribute to the record this Subcommittee is establishing on the question of advertising in public broadcasting. The vast majority of public radio managers believe advertising is a bad idea because it would contra-

vene the basic principles of public broadcasting, and also because it will not generate significant net revenues. We would favor modestly enhanced underwriting which would give us the opportunity to say a few words more about the corporations and foundations whose voluntary contributions support our efforts, but this would be entirely different from seeking and accepting commercial advertising.

Public radio provides programming that is responsive to the public, and, essentially, is by, for, and often about the public. It is a public good, established for public purposes, and paid for by the public with tax dollars and individual contributions. It must meet standards of public accountability. It is managed by public institutions—universities, schools, and community groups. Public radio's success is measured against a very high standard—its ability to serve the public interest.

Commercial broadcasting is different. It also serves the public, but is managed by private interests for private profit. Its programming decisions are fundamentally determined by business perceptions of commercial markets.

One need only listen to a public radio station—whether it is broadcasting news, classical music, jazz, or bluegrass, to know that there is a difference that occurs when broadcasters are publicly accountable for the use of their allocated radio frequencies. One difference which has a great value of public radio listeners is simply the absence of commercial interruptions. Another, we like to think, is a richness in content which in any society would belong more to culture than to commerce.

Whether public radio is better than commercial radio is not an issue here. What is at issue is the desirability of preserving the diversity and value public radio brings to the air waves. The vast majority of public radio broadcasters believe that advertising would seriously errode this diversity.

Even if public radio stations could maintain their public character, would it be appropriate for them to compete in commercial markets for advertising funds? Should commercial broadcasters have to compete for advertising against public broadcasters subsidized in many different ways by their communities? Conversely, could public broadcasting retain its tax exempt status, preferential union and copyright arrangements, and support from state legislatures and the Congress if it has access to and engages in commercial advertising? Many public radio stations which are licensed to colleges, universities or state agencies are prohibited by state law or institutional charter from advertising precisely to avoid any direct competition with private enterprise.

Now, Mr. Chairman, let me turn very briefly to a purely practical consideration: The amount of advertising revenue actually available in most markets to public radio stations is probably very slight. The situation may be different in television where there are fewer stations and many more advertising dollars.

Specific data have not been generated to gauge public radio stations' potential gross revenues from advertising. It is probable, however, the sale of commercial spots would be more competitive in radio than in television because there are proportionately a greater number of existing commercial radio stations in each market. Accordingly, the relative potential return from advertising to radio would be less than for television. On the whole, commercial radio stations generate less profit than commercial television stations in the same market. We must add to this tight market picture the fact that radio stations in general face diminished advertising revenues because competition from local cable systems offer advertisers visual spots at lower rates than broadcast television.

Obviously there may be individual public radio stations in particular markets where advertising could produce a return, but this is not generally the case.

Station managers emphasize to me that there would clearly be a trade-off between advertising and listener support. They feel it would be much harder to convince the listeners to contribute individually if they believed that substantial revenues were flowing in from commercial advertising. Our managers already hear listener complaints about promotions for upcoming events, and one can only assume these complaints would multiply in response to commercial promotions.

Since 1978 when advertising was first proposed, the public radio system has been considering whether, in the face of declining federal contributions, the negative effect of advertising could be minimized. After six years we continue to believe that to provide the quality programing our listeners have come to expect we cannot turn to advertising revenue. We believe continuation of the quality programing will be both the effect and the justification for increased public support.

Senator GOLDWATER. Thank you, Mr. Bennet. Please keep in touch with us, because this is a question that isn't going to be answered shortly.

Now we will hear from Mr. Eddie Fritts, president of the National Association of Broadcasters.

Mr. Fritts.

STATEMENT OF EDDIE FRITTS, PRESIDENT, NATIONAL ASSOCIATION OF BROADCASTERS

Mr. FRITTS. Thank you, Mr. Chairman. I appreciate the opportunity to be here today to express the views of the National Association of Broadcasters concerning advertising on public television. The NAB is a trade association whose membership includes 4,500 radio stations, over 700 television stations, and all television broadcast networks.

Commercial broadcasters strongly support full Federal funding for public television and radio stations. The National Association of Broadcasters realizes how serious the funding problems now faced by public broadcasters are. However, we continue to oppose advertising on public broadcasting. We feel that using commercials to sustain public programing contradicts the very essence of what public broadcasting is and was created for.

The lines between commercial and public broadcasting are becoming blurred. Public broadcasting began as an educational service. It then evolved into a highly unique and highly specialized noncommercial alternative programing service with much wider appeal.

The special service can continue only as long as the Congress continues to fund it adequately, allowing even limited advertising on public broadcasting would set the precedent leading to the destruction of its noncommercial nature, and consequently could eliminate the programing that has been public broadcasting's greater contribution. Because noncommercial stations are not compelled to draw the largest possible audiences, they have been able to develop innovative programing such as American Playhouse, and programing for special audiences such as Sesame Street.

In 1981, the NAB established a blue ribbon task force of broadcasters to study public broadcasting funding. This group of industry leaders studied over 40 funding alternatives. They met with broadcasters across the country to explore solutions to the crucial funding problems facing our noncommercial colleagues. Our task force concluded that advertising was inappropriate for public broadcasting.

After reviewing the comprehensive investigation of the TCAF report, there is nothing in the recent 12-month advertising experiment to alter our view. The first experiment had certain limits in its design, an unscientific design composed of self-selected licensees. The proposed experiment encompasses these same parameters and is unlikely to provide new or different information than produced by the first experiment.

We also note that many public broadcasters themselves oppose advertising. The Temporary Commission's report emphasizes that not all public stations would in fact benefit. All stations, however, could suffer if advertising were allowed. Legal restrictions and local economic conditions would prohibit advertising on many stations. Many of the tax and contractual agreements enjoyed by

public stations could change. Noncommercial stations have received different and favored regulatory treatment partly on the ground that they do not generate advertising revenues. This, too, could change.

Over the last few years, several groups have studied funding alternatives for public broadcasting. They all, including NAB's own task force, have reached the same conclusion. Restoration of adequate and full Federal funding is essential. Federal support provides the critical funding base necessary to support public broadcasting.

It is our understanding that public broadcasting is requesting supplemental appropriations of some $70 million for fiscal years 1984, 1985, and 1986. The National Association of Broadcasters would support that. We also understand that $238 million in authorizations are requested for fiscal year 1987. We enthusiastically support this authorization as a major step forward in maintaining our fine public system of broadcasting.

Altering the noncommercial component of our broadcasting system would severely jeopardize the programing diversity American audiences have come to enjoy.

In the past, commercial and public broadcasters have worked closely together on many issues of mutual importance, and we will work together in the future. We believe that public broadcasting should receive full and adequate Federal funding so that it will remain a truly noncommercial alternative.

If in the wisdom of the Congress, it is determined that another experiment in public broadcasting is indeed necessary, we would suggest an experiment in full Federal funding of this unique and specialized service which would best serve the interests of the American public.

Thank you, Mr. Chairman.

Senator GOLDWATER. You said the NAB task force studied other funding alternatives for public broadcasting. I am wondering if that group put a report out.

Mr. FRITTS. Yes, it did, and we will be glad to make it available for the record.[1]

We worked in concert with the TCAF Commission. Our groups operated on separate but parallel tracks. We will certainly be glad to enter that into the record, and make that available to you.

[The statement follows:]

STATEMENT OF EDWARD O. FRITTS, PRESIDENT, NATIONAL ASSOCIATION OF BROADCASTERS

Mr. Goldwater, I appreciate the opportunity to appear here today to express the views of the National Association of Broadcasters concerning advertising on public broadcasting. The National Association of Broadcasters is a trade association whose membership includes nearly 4,500 radio stations, over 700 television stations and all nationwide commercial broadcast networks.

Commercial broadcasters strongly support full federal funding for public television and radio stations. The National Association of Broadcasters realizes the serious funding problems now faced by public broadcasters. However, we continue to oppose advertising on public broadcasting. We feel that using commercials to sustain public programming contradicts the very essence of public broadcasting.

[1] The report has been retained in the committee files.

The lines between commercial and public broadcasting are becoming blurred. Public broadcasting began as an educational service. It then evolved into a unique and highly specialized non-commercial alternative programming service with wide appeal, featuring even off-network syndicated programming. This special service can continue only as long as Congress continues to fund it adequately. Allowing even limited advertising on public broadcasting would set the precedent leading to the destruction of its noncommercial nature, and consequently, could eliminate the programming that has been public broadcasting's greatest contribution. Because noncommercial stations are not compelled to draw the largest possible audiences, they have been able to develop innovative programming such as "American Playhouse," and programming for special audience such as "Sesame Street."

In 1981 NAB established its own task force on public broadcasting funding. This group of industry leaders studied over forty funding alternatives. They met with broadcasters across the country to explore solutions to the crucial funding problems facing our noncommercial colleagues. Our task force concluded that advertising was inappropriate for public broadcasting.

After reviewing the comprehensive investigation of the Temporary Commission, we find nothing in the recent 12-month Advertising Experiment to alter our view. The first experiment had certain limits on its design—an unscientific design composed of self-selected licensees. The proposed experiment encompasses these same parameters and is unlikely to provide definitive answers.

We also note that many public broadcasters themselves oppose advertising. The Temporary Commission's report emphasizes that not all public stations would benefit. All stations, however, could suffer if advertising were allowed. Legal restrictions and local economic conditions would prohibit advertising on many stations. Many of the tax and contractual agreements enjoyed by public stations would change. Noncommercial stations have received different and favored regulatory treatment partly on the ground that they cannot generate advertising revenue. This too could change.

Over the last few years, several groups have studied funding alternatives for public broadcasting. They all—including NAB's own task force—reached the same conclusion. Restoration of adequate and full federal funding is essential. Federal support provides the critical funding base necessary to support public broadcasting.

Altering the noncommercial component of our broadcasting system will severely jeopardize the programming diversity American audiences have come to enjoy.

In the past commercial and public broadcasters have worked closely together on many issues of mutual importance and will work together in the future. We believe that public broadcasting should receive adequate federal funding so that it will remain a truly noncommercial alternative.

Senator GOLDWATER. Thank you very much for your appearance and your opinions.

Now we will have panel No. 2, Sharon Rockefeller, chairman of the board of directors of the Corporation for Public Broadcasting; accompanied by Sonia Landau, vice chairman; James Hackett, member of the board of directors; and Edward Pfister, president.

If you have prepared texts that you would like to submit for the record, and then just go off the top of you head, you may proceed. We will start with Mrs. Rockefeller.

STATEMENT OF SHARON PERCY ROCKEFELLER, CHAIRMAN, CORPORATION FOR PUBLIC BROADCASTING

Mrs. ROCKEFELLER. Thank you very much, Mr. Chairman. We are appreciative of this invitation to speak on behalf of the CPB on the critical issue of advertising. For several years now, this issue has been widely debated in communications circles, as well as in the CPB Boardroom.

The irony of any consideration of advertising is that it exposes the root of public broadcasting's perennial problem, which is inadequate funding. Were we able to achieve adequate, private, and non-Federal and Federal funding, issues such as advertising on public broadcasting would virtually disappear.

The CPB board favors increased Federal funding for public broadcasting. The majority of our board is opposed to advertising since the possible benefits do not outweigh the risks involved. As tempting as expanded business revenues from advertising might be, our caution stems from three considerations.

The first is whether the stations which do not carry limited advertising can be insulated from cost increases from union talent fees, copyright royalties, and audience research data.

The second would be whether Federal, State, and membership income, as well as local and national underwriting as we know it today, would be reduced as a result of advertising.

The third would be whether the noncommercial, educational nature of our programs might change due to pressure from increased audience sizes.

On Jan. 13, just last month, the CPB board passed the following resolution, and this is what we favor:

Whereas, broadened guidelines for on-air credits for program underwriting or general support grants would provide additional revenue for public broadcasting, Now, therefore, be it

Resolved, That: The Board of Directors of the Corporation for Public Broadcasting urges the Federal Communications Commission to consider policies which would allow an expansion of the underwriting acknowledgements to increase the public awareness of the identity of the underwriter.

From what we know now, enhanced underwriting is one of the better solutions available to us. It is not the only solution, just one of the better ones. It would yield needed revenues, while not altering the educational nature of public broadcasting.

Our mission as an alternative programing institution would continue. The "distinctive difference" of our programs would be preserved. The goals and ideals which caused the Congress to initiate Federal support of public broadcasting in 1967 would not be compromised.

Thank you again, Mr. Chairman, for your steadfast support of public broadcasting. We especially appreciate your understanding of our financial problems and your willingness to address them.

Thank you very much.

Senator GOLDWATER. Thank you very much.

Senator Stevens told me to ask your pardon because he had to go to Appropriations to defend Defense, and I made sure that he got there.

Mrs. ROCKEFELLER. I wish that we were in his hearing this morning.

Senator GOLDWATER. Ms. Landau.

STATEMENT OF SONIA LANDAU, VICE CHAIRMAN, CORPORATION FOR PUBLIC BROADCASTING

Ms. LANDAU. Mr. Chairman, and members of the subcommittee, thank you for the opportunity to appear before you today on behalf of the Corporation for Public Broadcasting, to share with you my perspective on the subject of "Advertising and Public Broadcasting."

The CPB board is deeply concerned about the continued health and vitality of public broadcasting. In my brief remarks today, I would like to emphasize what I believe is a critical priority for

CPB; namely, leveraging federal funds to encourage private corporate contributions to help sustain public broadcasting.

This is an area in which I have a deep, deep interest. As one of my responsibilities as a director for the corporation, I have, along with several of my colleagues, emphasized the importance of development activities.

By making our very best efforts to supplement our Federal support base with private funds, particularly from the corporate community, CPB will continue to attempt to enhance the partnership between Government and the private sector to ensure the viability of a creative and diverse public broadcasting system.

To this end, CPB has adopted a plan of development activities. This commitment has already produced tangible results. Our development activities emphasize the key programing priorities of CPB: children's and family programing, news and public affairs, and drama.

In the area of children's and family programing, I have met with the management of WonderWorks consortium to discuss fund raising assistance for that important project. As you know, CPB has committed $6 million over 2 years and the television stations are committing $1 million over this same period. This consortium has been actively seeking corporate underwriters for approximately 1 year, but $2 million more is still needed.

In meeting the educational needs of the American people, there may be no higher priority than ensuring high quality, informed coverage and commentary on the 1984 presidential and national elections. CPB has been exploring with a major foundation the possibility of helping public broadcasting provide convention and presidential coverage.

The programing produced by public broadcasting is truly world class. However, for public broadcasting to achieve the international exposure that it needs, we must have access to international program fairs to exhibit our programs for possible sales and distribution abroad. CPB recently received a $150,000 grant, to be spent over 3 years, from the MacArthur Foundation. This was to act as partial support of CPB's continuing efforts to gain greater access for public broadcasting in the international markets.

CPB is very pleased to be able to tell you that corporate America has itself embarked on an initiative to encourage greater corporate support for public television.

Early in 1983, an ad hoc group of corporations interested in the continued success and vitality of public television in the United States formed a group called Corporations in Support of Public Television (CSPT). CSPT was established to encourage wider underwriting participation from the private sector, and to provide a useful conduit for communications between public television and past, current, and prospective underwriters.

On June 23, 1983, Gulf Oil Corp. hosted a major meeting in Washington, D.C., attended by 50 corporate representatives from across the country, to discuss the merits of public television underwriting.

On Jan. 12, 1984, the Atlantic Richfield Co. hosted a similar meeting in Los Angeles for corporations interested in learning more about the importance of corporate support for PBS national

programing. At that meeting, a major group of insurance underwriters announced a $600,000 funding commitment to American Playhouse, the important American drama series produced by a consortium of public television stations. This program will also be funded by CPB and the stations.

In closing, I would stress CPB's commitment to a balanced funding approach for public broadcasting. This approach is premised upon a stable base of Federal support, but encourages the increased recognition of our program underwriters through enhanced underwriting credits.

CPB believes that this balanced approach will yield additional important sources of revenue, preserve traditional funding resources, and ensure that the nature of our program remains a true alternative to the commercial network schedule.

Thank you for the opportunity to appear before you today. I will be pleased to answer any questions.

Senator GOLDWATER. Thank you, Ms. Landau.

Mr. James Hackett.

STATEMENT OF JAMES T. HACKETT, MEMBER, BOARD OF DIRECTORS, CORPORATION FOR PUBLIC BROADCASTING

Mr. HACKETT. Mr. Chairman, it is a pleasure for me to appear today to present my thoughts on the issue of advertising and public television. My views can be stated very simply. I endorse free enterprise, private initiative and local option in public television.

Five television stations have formed a consortium endorsing the concept of limited advertising on public television as a means of raising funds from the private sector. The issue is whether to permit stations to raise funds in whatever way is most effectiv in their own local market, so long as basic standards are observed.

Mr. Chairman, I share your concern that public television must continue to be free of objectionable advertising and that advertising must not be permitted to interrupt programing. The proposal of the consortium of stations would only permit advertising once every half-hour, would limit it to not more than 2 minutes at a time and would not permit it to interrupt programing.

This is a modest proposal, Mr. Chairman, that would hardly be noticed by most viewers, but which would give local stations another means of raising badly needed revenues. In my view, Government in Washington should not dictate to the local stations. They should have the option of raising funds in their own way, under reasonable guidelines.

I propose that they be given that option now. If it is abused by any station at any time, the Congress would always be able to revise or withdraw the authority.

Senator, I would like to add a few additional comments. The board of the Corporation for Public Broadcasting is not unanimous on this issue. There is, in fact, substantial support on the board in favor of limited advertising, and I came here today to make that point clear.

There really is no disagreement, as I see it, on the basic issues. We all agree that objectionable ads must be avoided, and that programing should not be interrupted. But if limited advertising is too

drastic a change to make at this time, a new advertising experiment, with no limits in the number of participating stations and to run for a longer period of time, at least for several years, would be a reasonable alternative.

Thank you, Senator.

Senator GOLDWATER. Thank you, Mr. Hackett.

Before you start, Mr. Pfister, do you have any relatives in Arizona?

Mr. PFISTER. No, I don't, but at this point I sure wish that I had.

Senator GOLDWATER. I asked because the president of our biggest power company is named Jack Pfister.

Mr. PFISTER. Now I really do wish I did.

Senator GOLDWATER. I used to go with his mother, so that is why I asked.

Mr. PFISTER. After commercial television's Master of the Game, Senator, I don't really know how to deal with that.

Senator GOLDWATER. Mr. Pfister.

STATEMENT OF EDWARD J. PFISTER, PRESIDENT, CORPORATION FOR PUBLIC BROADCASTING

Mr. PFISTER. Mr. Chairman, members of the subcommittee, I thank you for asking me to be here today. My statement will be very, very brief.

Soon after joining CPB, I became a member of the Temporary Commission on Alternative Financing, an assignment which gave me a somewhat privileged position from which to measure the significance of advertising in public broadcasting. Over these past 2 years, I have discussed this matter with many people who have supported, and want to continue to support public broadcasting as an institution based on excellent programing services.

As a result of my conversations and my work, I have concluded that in both practical and aesthetic terms, the risks associated with advertising in public broadcasting are greater than any potential gains.

Mr. Chairman, as a public broadcaster, I would consider it a privilege, if you would permit me, on the record, to associate myself with the statement of Lloyd Kaiser of WQED of Pittsburgh, also a public broadcaster, whom I have known and worked with for many years.

Today he has represented my point of view about advertising and public broadcasting much more eloquently than I think I am able to do.

Senator GOLDWATER. Thank you very much, Mr. Pfister.

Let me read from Ms. Landau's statement, and that may set the tone for the rest of the questions.

Ms. Landau's statement says: "The CPB Board is deeply concerned about the continued health and viability of public broadcasting." I think you know that that is our concern, too. I think we have to keep public broadcasting going, but if the Federal Government isn't going to come up with the money they need—I know quite a few stations down in my part of the country are not, shall we say, hacking it—this is something that we have to be continually concerned with.

I don't want to see public broadcasting change, but I would hate to see it go out of business, because I think it plays a very important part in our whole array of broadcasting, whether it be radio or television.

Now, Mrs. Rockefeller, could you explain more fully your distinction between "enhanced underwriting" and "limited advertising"?

Mrs. ROCKEFELLER. Yes, sir, if you don't mind, I would like to start by describing regular underwriting, or what we have right now that allows corporate identification. Underwriting credit can acknowledge support for a specific program or for station operations. It should contain a statement relating the underwriter to the support of the program, or the station. It is aired usually adjacent to the underwritten program.

What it permits precisely is this:

First. An announcement of the name of the corporation;

Second. The location, or

Third. The line of business of the corporation; and

Fourth. The logo of the corporation.

Maybe I can give you a specific example which would be familiar words that we have all heard. "This program is being made possible by a grant from the 3M Corporation."

The distinction to be made between "underwriting" and "enhanced underwriting," which would require FCC policies to be changed would be this. First of all, "enhanced underwriting" would allow more credit or more identification for the underwriter and, therefore, would be more attractive to more corporations.

The credit can be expanded in a neutral, or a nonpromotional way, and by that I mean that a product or a service may be identified, but it cannot be promoted. This is particularly attractive to corporations that do market under their corporate name like the example I just mentioned, which is 3M. What most people know about 3M, for example, is their product called Scotchtape.

So expanded underwriting would allow, first of all, one brandname or tradename to be used. In other words, Scotchtape could be identified. It would allow a slogan, moving visuals that allow institutional messages like the one you saw on the screen, public service messages, and the use of a logo. What it would prohibit is actual pricing or product promotion.

My example here would be that under "enhanced underwriting," public broadcasting could say, "This program is being brought to you by the 3M Corporation, makers of Scotchtape."

Advertising is the selling of time for the promotion of products, and in public broadcasting terms it would have no association with support of public broadcasting programs specifically, or with our operations. There would be no reference made to public broadcasting, in other words.

Advertising involves the purchase of time with no limitation on the sale or the promotion of products. For example, then, Scotchtape could be described as sticking a lot better, or infinitely better than Elmer's Glue-All, or Crazy Glue, and on and on. I think we all know what advertising is.

Senator GOLDWATER. That is getting more specific, but these distinctions are still a little too general. I think that it is a good start, but let me know if you come up with more specific distinctions.

Mrs. Rockefeller, you said that the majority of the Board opposes advertising, but Mr. Hackett supports it. Can you tell us how the Board breaks down on this issue?

Mrs. ROCKEFELLER. I checked our January straw vote, 13 of our 15 members oppose advertising, two support limited advertising.

Senator GOLDWATER. Do the 13 oppose it completely, or do they limit their opposition?

Mrs. ROCKEFELLER. I would say that it is complete. Again, I admit to you it is a straw vote because our position on record is in total opposition to advertising on public broadcasting. This was a straw vote taken after a presentation made by Mr. Hackett and after he came on the Board in our January meeting.

There have been doubts on our Board, there is no question. There has been an expansive examination of the subject. As I said, I do believe that 13 of the 15, which is a vast majority, oppose advertising, they think that it is the wrong way to go to solve the financial problems of public broadcasting.

Senator GOLDWATER. Thank you.

Mr. PFISTER. We will supplement the record on our Board's position, if you would like.

Senator GOLDWATER. You may supplement the record, but please don't take too long.

Mr. PFISTER. We certainly won't take too long.

[The following information was subsequently received for the record:]

CORPORATION FOR PUBLIC BROADCASTING,
Washington, D.C., February 27, 1984.

Hon. BARRY GOLDWATER,
Chairman, Committee on Commerce, Science, and Transportation, Subcommittee on Communications, U.S. Senate, Washington, D.C.

DEAR SENATOR GOLDWATER: I want to personally thank you for your continuing support of public broadcasting and, particularly, for the hearing you held to clarify an issue of complexity and controversy—namely, whether, and under what circumstances, advertising should be permitted on public television.

During our testimony last Wednesday, the question arose concerning the CPB Board's position on limited advertising. I would like to take this opportunity to expand my statements about the Board's votes on this issue. I hope I was able to communicate the whole range of diverse positions represented on our Board. In fact, on the issue of the TCAF report and the options it presented, the Board was not able to reach any consensus at all.

The CPB Board's historical position has been in opposition to advertising. The Planning and Legislation Committee and the Board of Directors as a whole have discussed this issue many times during the last two years. We conducted straw votes during the Board's Planning and Legislation Committee meeting, January 12, 1984, in an effort to provide some guidance to the CPB president and to me as chairman. We wanted to accurately represent the Board's position when the subject arose this winter during hearings on advertising and CPB's authorization.

Fourteen (14) of the 15 Board members were present at this Committee meeting. Votes were taken on alternative proposals as they were presented by the CPB management recommendation, the TCAF report, and a presentation by Board member James Hackett. The votes were not considered to be formal actions of the Committee or of the Board. Rather, they were intended to attempt to reach a consensus, or at least a majority vote on the issues presented. Thus, members were not asked to vote against any alternative; instead, they were to indicate what options they could support. They also were free to vote in favor of more than one alternative.

Attached to this letter is a listing of the issues we discussed and the votes in favor of each. As you can see, the alternative of supporting enhanced underwriting received the most votes, but not a majority. The second most favored position was to take no position at all on the TCAF report findings or on limited advertising.

However, the issue we were discussing at last Wednsday's hearing was limited advertising. As the votes indicate, only two Board members supported this alternative. The remaining 13 members, for various reasons, did not support limited advertising, either by actively not voting in favor of it, or by abstaining from the voting process altogether.

As a result of the Board's multi-sided division on the issues of the TCAF report, and the proposal of limited advertising, the Board realized that it could not reach a consensus on this issue. During the intervening period between the Committee meeting and the full Board of Directors meeting the next day, Board members also realized the importance of taking a position on this issue. Thus, the statement which was ultimately adopted by the Board of Directors was framed so as to capture the irreducible essence of what a majority of the Board could agree to on this complex issue. That resolution, passed on a 9 to 3 (1 abstention) vote, is also attached. I should point out that the three negative votes reflected opposition to the attached Resolution. They specifically did not reflect support of the limited advertising position.

The resolution should not be read more broadly or more narrowly than it appears. It states only that the CPB Board agrees that the FCC should expand the regulations for on-air underwriting acknowlegements to increase the public awareness of the identity of underwriters with the anticipated result of generating additional revenue for public broadcasting.

I hope I have been able to provide some clarity to this rather unclear issue. I will be pleased to supply you with any additional information that you require.

Again, please accept my gratitude and that of all public broadcasting for your continued support.

Sincerely,

SHARON PERCY ROCKEFELLER.

Enclosures.

PLANNING AND LEGISLATION COMMITTEE

STRAW VOTES—ADVERTISING ISSUE—JANUARY 12, 1984

At its meeting, January 12, 1984, the Planning and Legislation Committee, joined by other members of the Board, took straw votes concerning advertising options for public broadcasting:

Issue 1.—That the Board take no position on the TCAF Report or advertising.

In Favor: 4.

Issue 2.—That the Board endorse the concept of enhanced underwriting for public broadcasting.

In Favor: 5.

Issue 3.—That the Board endorse the proposal of the five-station consortium advancing the concept of limited advertising for public broadcasting.

In Favor: 2.

Issue 4.—That the Board support the current situation in public broadcasting (no enhanced underwriting and no limited advertising).

In Favor: 1.

Three (3) Board members did not vote on any of these issues.

CPB BOARD OF DIRECTORS.—JANUARY 13, 1984

At its full meeting, January 13, 1984, the Board of Directors adopted the following Resolution which urges the Federal Communications Commission to consider policies which would allow an expansion of the underwriting acknowledgements to increase the public awareness of the identity of the underwriter.

In Favor: 9; Opposed: 3; Abstaining: 1.

RESOLUTION—THE BOARD OF DIRECTORS, THE CORPORATION FOR PUBLIC BROADCASTING, WASHINGTON, D.C., JANUARY, 13, 1984

Whereas, broadened guidelines for on-air credits for program underwriting or general support grants would provide additional revenue for public broadcasting: Now, therefore, be it

Resolved, That the Board of Directors of the Corporation for Public Broadcasting urges the Federal Communications Commission to consider policies which would allow an expansion of the underwriting acknowledgements to increase the public awareness of the identity of the underwriter.

Mrs. ROCKEFELLER. What I would like to add is that instead of dealing in January with the question of advertising, because we could reach no consensus or unanimity at all, we instead proposed that enhanced underwriting be the next move, and that the FCC go ahead and be encouraged to make those changes.

Senator GOLDWATER. In your deliberations, I think it would be very wise to try to come up with some answers to this question: How long before public broadcasting is just the same as any other form of broadcasting?

If you are going to do advertising, a little bit is all right, a little more is going to be better. The first thing you know, you have 3M advertising everything they make, and some of it might make people mad.

Mrs. ROCKEFELLER. I think, sir, the answer to that question would be, it would be impossible to determine. But many do not want to take the first step down that road because they know exactly where that road leads.

Senator GOLDWATER. I think you are right.

Mr. Hackett, in your statement, you say, "The issue is whether to permit stations to raise funds in whatever way is most effective in their own local market, so long as basic standards are observed." Who would set those standards?

Mr. HACKETT. Senator, I am not suggesting that anybody in Washington determine what the standards should be in a local area. It seems to me that we have in this industry a lot of responsible stations and a lot of very conscientious people. I don't think that either the Government or the corporation should sit in Washington and tell them what the standards ought to be in their own community.

If there appears to be advertising that is questionable or objectionable, certainly the board could look into it, and the Congress could look into it. There are plenty of mechanisms for doing that. I believe that the industry is responsible and conscientious, and I don't think that we should assume otherwise.

Senator GOLDWATER. I would be the last one to ever suggest that the Federal Government set the standards, I don't think that we could begin to. But I do think that some standards would have to be set. I think that that is absolutely necessary if you are going to retain your identity. That is the thing that bothers me about this whole question. How long before there no longer is a public broadcasting station at Arizona State University once you begin taking advertising the same as every other commercial station in town?

Mr. HACKETT. I have seen some of the ads which were run during the experiment, and I understand that you looked at a few earlier today. The ones I saw were done with good taste. I think that is an example of what can be done. I believe that most of the stations, if not all, would conscientiously try to follow those standards.

I would defer to the industry and the people, who have spoken here earlier today, who are supporting this concept to devise reasonable guidelines.

I would like to comment on Mrs. Rockefeller's statement about the board's views. The board is not unified on this issue. We had 2 days of extensive discussions in January on the issues of advertising and underwriting. It became very clear that the board was sharply divided, and all of these issues were of great concern to it.

Frankly, I don't remember a 13 to 2 straw vote. I was there for the whole 2 days, and I don't remember such a vote. If there is a record, I would like to see how it broke down. I would suggest that if we held a vote today and polled the 15 members of the board, it would not be 13 to 2, depending, of course, on how the question is phrased. I found at least six or seven members of the board concerned about this problem, and interested in finding ways to supplement the funds of public television.

I think that it is rather unseemly for the industry to keep coming back to the Federal Government hat in hand saying that, in effect, the only way to keep public television pure is to have the Federal Government pay all the bills. I think that other ways have to be explored, and advertising seems to me to be a reasonable way to do that.

Mr. PFISTER. Mr. Chairman, may I respond to your original question—How long would it be before public broadcasting, and particularly public television, would begin to be more, rather than less commercial?

My own view, as a public broadcaster for many years—24 years this April—is that the perception would grow, whatever the reality would be, over a period of time. My view, as a public broadcaster, is that another experiment would lock that perception in so that the perception would become credible, and sometime during, or shortly thereafter another experiment, public television would begin to be treated as though it were quasi-commercial or commercial television by a whole host of its funders, who then would rearrange their relationship with the institution.

That rearrangement of their relationship with the institution, State governments, local governments, individual people, and indeed underwriters who may not want to spend their money thereafter in underwriting but on advertising, would begin to relate to the institution in a markedly different way than the relationship which has developed over the last 30 years.

My own private view is that in another experiment, or shortly after another experiment, we would see a markedly changed institution that would have taken more than one step down this path.

Senator GOLDWATER. You just answered my next question.

Are you in favor of a second experiment?

Mr. PFISTER. I am absolutely opposed to it, Senator.

Senator GOLDWATER. You are opposed to it.

Mr. PFISTER. Absolutely. I think that the perception would lock in during that experiment, and it would create a perception which may not be a reality but which would force all of the public television's revenue resources to begin to deal with it in a different way.

Senator GOLDWATER. Did you want to make a comment, Ms. Landau?

Ms. LANDAU. Yes, Mr. Chairman, I just wanted to comment in terms of the board.

I think many of us had a great deal of reservation about the TCAF report. Although we did not favor limited advertising, there was definitely, I think, an expression by quite a few members that perhaps a better look from a different perspective might be better because we're concerned about the viability of the system. The board did not want to get into the commercial market, but it did want a good source of funds to supplement our Federal funds.

I did want to express the fact that I think there are some members of the board who would feel that perhaps taking another look at that might be helpful.

Senator GOLDWATER. I want to thank you folks for being here. Just let me comment that I think today's hearing has shown one thing, that survivability is the question—survivability of the system, and the survivability of its quality. I think it has a lot of quality.

I am not convinced that becoming commercialized is going to insure quality. I hope that you folks will continue to discuss these things. We have no legislation in mind. We merely wanted to hold this hearing to see what both sides of the issue thought about it.

I think you have made a very good beginning, and this will not be the end. Maybe later this year sometime when you folks feel that it is proper, and the other side feels that it is proper, we can hold another hearing.

As I said, survivability, in my opinion, is the word. Survivability of the system, and survivability of the quality.

Again, I thank you for being here. It was a real pleasure. The hearing will stand adjourned.

[Whereupon, at 10:55 a.m., the subcommittee adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT HON. ALAN J. DIXON, U.S. SENATOR FROM ILLINOIS

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to submit my views regarding the issue of advertising on public television for your consideration.

I serve as secretary-treasurer of the Illinois Congressional Delegation, and in that capacity prepared and sent a letter to the Corporation for Public Broadcasting on November 17, 1983, signed by 17 of the Delegation's 24 members, urging CPB to endorse limited advertising for public television stations.

As the letter said, for the past several years, public broadcasting has confronted, and for the foreseeable future will confront, a financial crisis of severe proportions which threatens not only its ability to expand, but also its prospects for survival.

Although I will continue to support the highest achievable levels of Federal appropriations for public broadcasting, the fact remains that such support, in conjunction with existing non-Federal revenue sources, is, will remain, insufficient to provide quality programming consistent with public television's mandate for exellence.

Without a substantial infusion of additional revenues from new sources, public television will be unable to meet the growing demands for quality programming in public affairs, the arts and education.

At this critical juncture, I beleive that the soundest approach to pursue would be a second phase of the limited advertising test program conducted recently by the Temporary Commission on Alternative Financing for Public Telecommunications (TCAF) established by Congress.

I believe that such a program, conducted by no more than 25 stations, and to last a minimum of three years, would serve a most useful function.

It would provide a sound basis for further study of a variety of unresolved issues. These would include: the linkage between limited advertising and Federal funding; state funding of public television; long-term effects of advertising on programming decisions; whether non-participating stations would be placed at a disadvantage, and whether there are system-wide effects on labor and copyright payments.

There will be testimony today regarding a specific proposal now being developed by public stations whose managers feel limited advertising is vital to their future. The stations include those in St. Louis and Chicago, both of which have many subscribers and viewers in the State of Illinois.

Included with my statement is an outline of the proposal which, I believe, represents a reasonable approach to this question.

I hope the Congress will give this plan its serious consideration. We are at a financial crossroads with public television, and a second phase of the limited advertising experiment can set us on the path that will insure the future well-being of this invaluable resource.

PUBLIC TELEVISION FUNDING A LEGISLATIVE PROPOSAL

Public television faces an unparalleled financial crisis. Its diverse income sources have been pressed to their limits. Vital Federal funding has been reduced and a hidden crisis in public television is the stagnation of non-Federal income sources.

Recognizing the severity of this problem, Congress established a Temporary Commission on Alternative Financing for Public Telecommunications (TCAF). TCAF found little promise in a long list of untried financial devices but reconfirmed the need for a diversity of support sources and the continued importance of a strong Federal role. TCAF recognized the need for new incentives to develop greater participation from the business sector and oversaw an experiment involving an assessment of the potential and risk of various forms of enhanced underwriting and limited advertising.

Public television legislation should include the following three important elements:

(1) Maximum and secure federal funding

Strong Federal participation in the funding mix of public television is essential to its survival as well as to its growth. From the beginning, Federal funding has been an essential catalyst for all other financial devices and a major component in its own right. We urge a three-year funding authorization for the Corporation for Public Broadcasting at the $238 million level now being advocated.

(2) New underwriting guidelines

TCAF's experiment demonstrated that if companies are allowed to go beyond the now brief acknowledgements of their support, new interest in our medium can result with no harmful effects on programming. We would urge that these credits be kept distinct from conventional advertising messages, but underwriters be granted adequate time to identify their companies, products and services. Legislation should make it simple and more attractive for companies to support and be strongly identified with quality programming on public television.

(3) Limited advertising experiment—Phase II

TCAF reported that limited advertising "could be a significant supplemental business revenue source for certain public television stations." Test stations included a range of station sizes and licensee types, including both community and university licensees. Those stations testing limited advertising reported substantial new net revenue in the brief test period and no negative effects on programming, viewership, or other, more traditional income sources. Their reports were confirmed by independent research among 10,000 public television viewers before and after the experiment.

In effect, the test lasted less than a year and left several questions unanswered concerning long-term effects. It is timely and important to explore further this promising opportunity. We proposed a Phase II of the Limited Advertising Test to be conducted by no more than 25 volunteer public licensees to begin immediately and continue for a minimum of three years extending into the term of the new public broadcasting authorization bill. This Phase II experiment should incorporate the same strict rules of the original test: no program interruptions; a maximum of 2 minutes of messages between programs; and no political, religious or issue advocacy advertising. Additionally, we propose that no messages would be permitted adjacent to children's programming. An essential element in a Phase II test would be the inclusion of a plan to address the handling of possible increases in labor and copyright costs with a device to insure that any increased costs resulting from limited advertising by some stations not be borne by others who choose not to participate.

This Legislative Proposal merits the support of the public television community and its leadership, and we urge their favorable consideration of it.

STATEMENT OF DAVID J. MARKEY, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION, U.S. DEPARTMENT OF COMMERCE

INTRODUCTION

Provisions of the Public Broadcasting Amendments Act of 1981, enacted as part of the 1981 Omnibus Budget Reconciliation Act (Public Law 97-35, Secs. 1221 et seq.), altered traditional criteria governing the noncommercial nature of educational, public broadcast stations.[1] Section 392(g) of the Communications Act, for example, was amended to permit expanded use of public telecommunications facilities for profit-seeking purposes. Stations also were permitted, by virtue of a new section 399A, to air expanded credits including corporate logograms. Under new section 399B (47 U.S.C.A. Sec. 399b (Supp. 1983)), public broadcasting stations were permitted to air paid-for commercial messages sponsored by nonprofit organizations. In addition, Congress in 1981 sanctioned a special advertising demonstration program.

ADVERTISING DEMONSTRATION PROGRAM

Conducted by a number of public television stations serving a diversity of markets, the special advertising demonstration program initiated by Congress was monitored by an eleven-member "Temporary Commission on Alternative Financing for

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[1] See *FCC Policy Concerning Noncommercial Broadcast Stations*, 49 P. & F. Radio Reg. 2d 889 (1981).

Public Telecommunications" (TCAF) of which NTIA was a statutory member. Four members of Congress also served as TCAF members.

The TCAF authorized limited commercial advertising and "expanded underwriting" activities by participating public television stations during the period March, 1982 through June, 1983. No public radio stations participated in this experiment. As required by law, the TCAF submitted two detailed and extensive reports to Congress in July, 1982 and October, 1983. These reports analyzed both a number of nontax-based revenue alternatives reasonably available to public broadcasting stations and organizations, as well as the actual results of the advertising demonstration program.

RESULTS OF THE ADVERTISING DEMONSTRATION PROGRAM

In the legislation sanctioning the advertising demonstration program, Congress specifically directed that attention be accorded four significant concerns. The TCAF was directed to determine—

1. *Programming influence.*—Whether the airing of limited advertising influenced or affected public television programming;
2. *Audience reaction.*—Whether viewership, membership contributions, or other donations were affected;
3. *Advertiser reaction.*—Whether businesses and other organizations made use of this media alternative; and,
4. *Underwriting effects.*—Whether there was an impact on program underwriting due to the airing of limited advertising.

The results of the demonstration program were overwhelmingly positive in virtually all these regards. There was, for example, no adverse effect on the character or diversity of television programs aired by the participating stations. Indeed, the available evidence indicates the program choices in at least one major market improved. In testimony before the TCAF, one station president stated that with the additional revenues secured through limited advertising, it was possible for his station to maintain and expand local programming efforts that might otherwise have been curtailed.[2]

The extensive audience information developed by the TCAF also indicated no adverse effects on public or corporate contributions as a result of limited advertising. Virtually all stations participating in the advertising demonstration program experienced increases in viewership, contributions, and other pledges. Significantly, a number of the participating stations reported positive viewer reactions, a common observation being that limited advertising was preferable to intensified on-air fund raising activities.

Advertiser reactions likewise were positive. The available evidence indicates advertisers found public television an effective medium because limits on the number of commercials and their placement minimized "clutter," a common advertiser complaint with respect to commercial television. Advertisers also expressed satisfaction with limited commercials given public television's "somewhat upscale audience" and the fact many public television viewers otherwise are categorized as "light viewers." Limited advertising afforded advertisers a means of reaching consumers not otherwise reached. In this regard, it should also be noted that while the advertising demonstration program yielded sums of money that are significant for noncommercial stations, in no instance did participating stations earn more than a very small fraction of the total broadcast advertising revenues in the markets involved.

The evidence regarding the effects of limited advertising on public television underwriting efforts was similarly positive. During the demonstration program period, no participating station reported an adverse effect on underwriting due to the airing of limited advertising. Two participating stations chose to use "expanded underwriting" in lieu of more conventional product advertising. These stations reported revenue gains, though less than those experienced by the stations airing limited commercials (measured as a percentage of station operating budgets).

CONCLUSIONS TO BE DRAWN

Limited advertising has demonstrated the potential to supplement public television revenues without adversely affecting traditional sources of financial support or the character of the programs offered the public. The results of the demonstration program directed by Congress, in short, were overwhelmingly positive.

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[2] Statement of Mr. Vincent Saele, President, WYES, New Orleans, June 23, 1982.

The results of the demonstration program should be evaluated in context. The experiment did not last the full 18 months contemplated in the statute, for example, due to initial delays in participating station selection. Copyright interests and organized labor also did not seek to change prevailing, preferential arrangements with public television during the course of this Congressionally mandated experiment. The experiment took place under conditions that might not prevail were limited advertising on public television stations permanently authorized on a widespread basis.

Given the uniformly positive character of the results of the advertising demonstration program, however, we believe critics of limited commercials on public television bear a heavy burden of proof to show why this source of additional revenues should not be explored further. The Administration supports permitting limited advertising on public television because we believe the facts indicate it can be a source of additional revenues desirable to maintain and expand service to the public.

The Administration woud support legislation permanently authorizing limited advertising on public television stations. We believe Congress now has sufficient evidence available fully to justify such legislation. If Congress believes additional information is required, however, we could support legislation authorizing a further advertising demonstration program. Such a second experiment, in our view, should last not less than three years. This would provide sufficient time to explore other questions such as whether limited advertising might affect commercial broadcast revenues, as some contend, or lead to reduction in State agency support, as is also sometimes suggested.

STATEMENT OF FCC COMMISSIONER JAMES H. QUELLO, CHAIRMAN OF THE TEMPORARY COMMISSION ON ALTERNATIVE FINANCING FOR PUBLIC TELECOMMUNICATIONS

I am pleased to submit this statement describing the work of the Temporary Commission on Alternative Financing for Public Telecommunications. Specifically, I shall address the issue of whether Congress should permit public broadcast stations to carry limited advertising in order to supplement revenues from other sources.

Pursuant to congressional directions contained in the Public Broadcasting Amendments Act of 1981, the Temporary Commission conducted a detailed exploration of the advertising question and submitted its Final Report to Congress on October 1, 1983. Copies of this report accompany my statement, and additional copies are available from my office.

Briefly, the Temporary Commission authorized ten public television stations to carry advertising messages over a 15 month period ending June 30, 1983. Only nine stations participated to the conclusion of the advertising demonstration program.[1] Seven of these stations presented advertising messages, while the other two stations styled their messages as "enhanced underwriting."[2]

The Temporary Commission selected an independent research organization, the ELRA Group, to assess viewers', subscribers', and the general public's attitudes toward carriage of advertising on public television stations. The Temporary Commission also directed the participating stations to file periodic status reports, conducted a survey of selected advertisers and underwriters, and consulted with independent experts, other federal agencies, and potentially affected entities such as unions and commercial broadcasters in order to assemble as complete a record as possible for congressional review.

The ELRA Group research generally demonstrated no negative reaction to limited advertising as a means to supplement funding for public television. While such positive results were essential to further consideration of the advertising question, several factors dictate that these findings cannot properly serve as the sole basis for a recommendation supporting limited advertising. First, the demonstration was not designed as a scientific experiment to test the hypothesis that permitting limited advertising would well serve the public broadcasting system. For example, due to the small number of stations interested in participating, the participating stations were essentially self-selected and clearly did not represent a cross-section of the public broadcasting community.[3]

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[1] See Table 1, attached, for a description of the participating stations and a summary of the revenues each received during the demonstration program.

[2] The Temporary Commission did not prescribe standards for acceptable "enhanced underwriting." All stations were free to present any type of message they chose within the statutory limits. Messages could not interrupt programming and were limited to a duration of 30 seconds.

[3] Seven of the final nine stations were VHF stations, while most public television stations operate on the disadvantaged UHF band. Also, four of the top five television markets were repre-

Continued

Second, the demonstration did not take into account the potential impact of limited advertising on union and copyright agreements as well as other service agreements under which noncommercial broadcasting enjoys favored treatment. Third, the demonstration could not measure long-term effects. Thus, while the ELRA research was a significant aspect of the Temporary Commission's work, it did not provide a litmus test of whether public television advertising should be encouraged.

The Temporary Commission concluded that advertising should be permitted only if Congress could clearly determine (1) that the benefits to public broadcasting overall would exceed the costs, and (2) that the risks associated with advertising would not be shared by public stations that chose not to carry advertising. Some of the primary factors leading to this decision were:

That overall revenues to the system would be limited because most public television stations would not carry advertising due to legal restrictions, local economic considerations, or concern about advertising's impact on the character of the public broadcasting service;

That the risks associated with advertising—particularly risks to the copyright structure now applicable to all public broadcast programming—could not be limited to the stations carrying advertising messages; and

That, despite that demonstration's short-term findings, no experiment could demonstrate that there would not be an eventual adverse impact on other vital revenue sources, such as corporate underwriters, large private subscribers, or state and local government support.

The Temporary Commission recognized that its efforts did not resolve all the questions concerning whether advertising should be used to provide additional revenue for public broadcasting. The work of the Temporary Commission did, however, significantly reduce the range of uncertainty so as to permit a more informed policy decision by the Congress.

It is my personal view that the existing balance among the varied funding sources for public broadcasting plays a crucial role in maintaining the special character of public broadcast programming. If advertising revenues do not predominate over other funding sources the unique nature of public broadcasting should not be unduly affected. Nevertheless, the absence of commercial messages on public broadcasting serves as the "bright line" distinction between the public and commercial broadcast services. While reasonable persons can differ on this issue, I cannot recommend that this bright line should be eroded at this time.

Thank you for this opportunity to present my views on this important question. I shall be happy to provide any additional information that you may require concerning the work of the Temporary Commission.

TABLE 1.—THE ADVERTISING DEMONSTRATION PROGRAM STATIONS AT A GLANCE

Name, (channel), license type	Location	Number of TV households (rank)		ADP approach	1st ad/expanded credit aired	Fiscal year 1983 net proceeds [1]	Net station total revenue [2]	Proceeds as percent of station revenue
WTTW (11), community.	Chicago, Ill.	2,979,670	(3)	Ads	June 14, 1982	$1,309,358	$13,428,114	9.75
WHYY (12), community.	Wilmington, Del./Phila. Pa.	2,425,640	(4)	Ads	June 1, 1982	813,403	8,746,980	9.30
WPBT (2), community.	Miami, Fla.	1,148,390	(13)	Ads	May 24, 1982	375,297	7,333,904	5.12
WYES (12), community.	New Orleans, La.	608,250	(34)	Ads	Mar. 26, 1982	346,562	4,356,153	7.96
KCSM (60), college.	San Mateo/San Francisco, Calif.	2,009,820	(5)	Ads	Mary 21, 1982	214,459	1,840,879	11.65
WIPB (49), university.	Munci, Ind.	223,789	(98)	Ads	June 12, 1982	61,270	1,292,857	4.74
WQLM (54), community.	Erie, Pa.	150,180	(138)	Ads	Sept. 9, 1982	13,891	1,819,876	0.76
Total						3,134,240	38,818,763	8.07

sented among the participating stations and only three participating stations were outside the top 13 markets.

TABLE 1.—THE ADVERTISING DEMONSTRATION PROGRAM STATIONS AT A GLANCE—Continued

Name, (channel), license type	Location	Number of TV households (rank)	ADP approach	1st ad/expanded credit aired	Fiscal year 1983 net proceeds [1]	Net station total revenue [2]	Proceeds as percent of station revenue
WNET (13), community.	Newark, N.J./ New York, N.Y.	6,471,390 (1)	Expanded credits.	Nov. 21, 1982.....	745,467	58,530,671	1.27
WQED (13), community.	Pittsburgh, Pa....	1,213,030 (12)	Expanded credits.	Oct. 1, 1982.....	141,609	18,806,454	0.75
Total					887,085	77,377,125	1.15

[1] Fiscal year 1983 is the period from July 1, 1982, to June 30, 1983, or the last 4 quarters of the 5-quarter demonstration program; net proceeds equal gross billings for cash and nonprogram barter less direct costs of sales or special development efforts.
[2] Total station money and inkind income less development and fundraising expenses.

Source: Station reports submitted to the temporary commission.

STATEMENT OF GULF CORP.

Gulf has been a supporter and underwriter of public television since 1975. In those nine years, we have contributed over $35 million to the production of National Geographic Specials which air on public television. Gulf is committed to the production of these specials. In fact, we fund them two years in advance in order to insure the highest possible quality in their production. We believe that these programs are worth watching and worth remembering. They're television in its highest form—spontaneous, informative and meaningful.

It is not by accident that Gulf has chosen to underwrite the National Geographic Specials for public television. First and foremost, public television is a service in which we believe. Gulf has been associated with public television station WQED in Pittsburgh, Pennsylvania, where we are headquartered, for nine years. That relationship has been mutually satisfying and rewarding. Because we are a national company, we also believe we have a social responsibility as a corporation to the American public television audience. That was one of the motivations for becoming involved in the underwriting of the National Geographic programs. The money that Gulf contributes to the production of those programs benefits the entire public broadcasting service by providing high quality, family programing.

We have found over the course of our relationship with the Public Broadcasting Service and the National Geographic Society, that the climate surrounding public broadcasting is one with which we want very much to continue to be associated. The high quality and the educational value of so much of the programing on public television, is an admirable and highly supportable trait which should be indefinitely continued.

While public television needs additional income, it must be careful about how it goes about getting that income. Enhanced underwriting, which was successfully tested at WQED in Pittsburgh, could provide additional income without damaging the positive attributes of public television. We at Gulf are pleased with the enhanced underwriting test at WQED and feel that such a system to increase revenues could effectively be put into place without radically altering the climate that is so much a part of public television. Permitting enhanced credits to underwriters could be a small step in the gradual evolution of greater underwriter identification. That practice would allow stations to raise money, yet keep their noncommercial identity and their dignity. Commercial advertising on public television will not.

Gulf has always opposed advertising on PBS. Instead, Gulf favors more private underwriting to maintain excellence in PBS programing.

Let me explain our position. Basically, many current PBS corporate underwriters share the concern of PBS station managers who believe that program quality would decline if advertising became a standard practice. "Advertising driven" programing could make public television the fourth—and weakest—network. It would threaten the alternative form of television viewing now provided to the American public.

If advertising became the norm, some underwriters may discontinue funding in favor of commercial network programing which attracts larger viewership. We don't believe public television stations can or should compete with commercial television networks.

From a financial standpoint, it is our belief that advertising would not benefit public television in the long run. If the Federal Government perceives that advertis-

ing revenues alone could support the Public Broadcasting Service, Federal (and probably State) funding would be reduced or even eliminated.

Furthermore, many PBS station managers feel that local and individual contributions would decrease if advertising competed against private donations. Although advertising might allow some large metropolitan stations to grow stronger, smaller stations, which couldn't carry enough advertising to provide sufficient funds, would become weaker. They may even cease to exist. If that happened, all of PBS would suffer—not to mention the public, who would bear the biggest loss.

Despite the success of the recently completed "limited" advertising experiment, we are convinced that it was accepted by the public previously because it was "limited" and temporary. If advertising continued on a regular basis, PBS viewers would soon experience the same frustrations with commercial "clutter" that they experience each day with commercial TV.

As major underwriters, we share the concern of PBS stations about copyright and union labor costs, which will increase if advertising was conducted on a regular basis. Those extra costs would further weaken the financial base of many stations, especially those not carrying advertising.

Ultimately, we believe that advertising threatens the value and unique qualities of PBS. Advertising would change the public's view of PBS. The way program quality is judged would change also, with programs being measured by the quantitative standards of ratings and costs, not the qualitative standards that are the PBS hallmark.

More private underwriting is the logical alternative to advertising on PBS. Enhanced underwriting would be a major step forward in public television's growth, without violating the fabric or the spirit of its quality service to the viewing public. We hope in recognizing the need for additional funding, you will also recognize the need to maintain the high quality and commercialization-free atmosphere that Public Broadcasting brings to the air waves.

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